FINANCIAL TIMES

World Business Newspaper http://www.FT.com FRIDAY JANUARY 9 1998

Immigration

Italy may take liberal stance

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Jospin's direction under scrutiny

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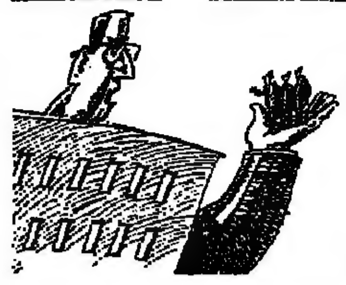

Personnel

Be fair, then you can be tough

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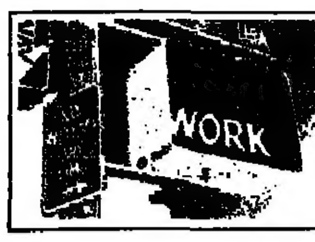

FT WEEKEND

From welfare to what?

TOMORROW

Asia in crisis

How did Asia's financial crisis start? Where will it end? A five-part series starts in Monday's FT

Indonesian currency suffers amid confusion over Suharto

By Our Financial and International Staff

The Indonesian currency and stock market went into virtual free fall yesterday as doubts about the political prospects for President Suharto added to fears about the state of the country's finances.

As the crisis deepened, Indonesians stocked up on staple foods amid rumours of shortages and fears of riots. Some western companies were said to be advising expatriates' families not to return from Christmas holidays abroad. Talk that Mr Suharto would announce he was not seeking re-election in March added to the air of crisis, but the president made no formal statement.

The rupiah fell sharply from 8,400 to more than 10,000 to the dollar with traders reporting virtually no buyers.

The Jakarta stock market dropped 19 per cent at one stage and even a late recovery left it 12 per cent down on the day. Indonesia's currency has now fallen by more than 70 per cent against the US dollar since July last year, when the south-east Asian economic turmoil began.

Yesterday, traders said the market for the rupiah had virtually disappeared outside of Jakarta, where buying activity was from domestic corporate clients.

In London, one trader said the quoted exchange rates for the rupiah "bore no resemblance to reality", as liquidity had dried up. The last quoted bid was Rp10,700 for one US dollar. The margin between the prices offered to buy or sell the rupiah – the "bid-offer spread" – stretched to around 20 per cent.

Indonesia's problems set the tone for another dismal day for the region's currencies and stock markets. The Singapore dollar fell to S$1.8060 to the US dollar, its lowest level since 1990, while the city state's stock market shed over 7 per cent. Fears of an imminent rise in interest rates and regional currency upheaval pushed Hong Kong shares down again yesterday, with the benchmark Hang Seng index plunging below 9,000, before recovering to close with a loss of just under 3 per cent.

With the market braced for a speculative attack on Hong Kong's currency, which is pegged to the US dollar, three-month interbank rates jumped from 12.5 per cent late on Wednesday to 14.5 per cent yesterday. That fuelled fears banks would raise prime lending rates, possibly as early as today.

"You can't indefinitely ask banks not to make profit", said David Li, chairman of the Bank of East Asia. He said banks

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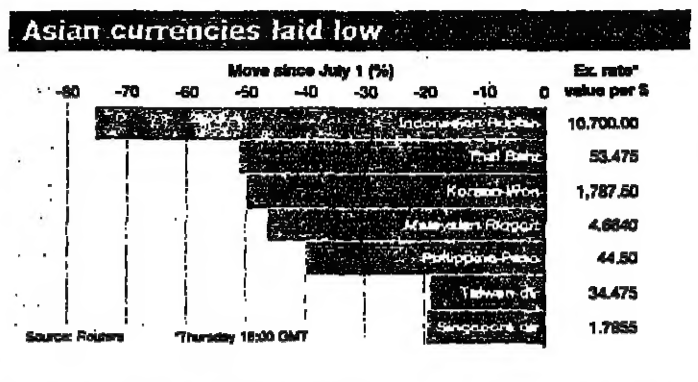
Asian currencies laid low



US growth is likely to slow significantly this year as a result of the Asian crisis, improving the prospects for lower inflation and prompting a shift in the monetary policy of the Federal Reserve, says a leading member of the Fed's board of governors.

In a speech most economists interpreted as a signal that the outlook for the central bank's policy has changed significantly in the last weeks, Laurence Meyer said the turmoil in Asia would reduce US growth to a more sustainable level.

Mr Meyer, traditionally one of the more hawkish Fed governors, said growth would probably be 0.5-0.75 per cent below what it would have been without the Asian effect. Report, Page 4

Japan plans $98bn funds boost to help banks raise capital

By Gillian Tett in Tokyo

Japan's Ministry of Finance is drawing up the first detailed proposals for a wide-ranging recapitalisation of banks to tackle the country's deep financial problems.

The plans, which could involve injecting funds into the strongest banks as well as those at greatest risk, would use up to Y13,000bn ($98bn) of public money.

The proposals will be submitted to parliament in 10 days and, if passed, the money could flow to the banks within weeks.

The move follows a decision by Japan's ruling Liberal Democratic party last month to use up to Y30,000bn of public funds to stabilise the country's ailing financial sector.

Initially, most investors had assumed that such funds would only be used to protect depositors if a bank, brokerage or insurance company failed. But the depth of the financial crisis persuaded politicians last month to call also for some recapitalisation of the banks.

Many banks face sharp erosions of their capital bases because recent stock market plunges have cut the value of their equity portfolios. This is forcing banks to cut their lending to maintain their capital adequacy ratios under Bank for International Settlements rules. That in turn is causing bankruptcies and weakening Japan's economy as well as preventing banks from writing off bad loans.

The MOF's recapitalisation plan, drawn up with the LDP, would put the public funds into the Resolution and Collection Bank, a government body, which would then buy preference shares issued by banks to expand their capital bases.

Government officials insist they will not bail out insolvent banks, and senior managers at the assisted banks will not be forced to resign.

But officials remain divided about which banks to recapitalise. Influential politicians in the LDP want the scheme to cover most leading banks as a comprehensive solution to Japan's banking problems.

They also want strong banks, such as Bank of Tokyo Mitsubishi and Industrial Bank of Japan, to apply first to counter market stigma about the scheme. BTM and IBJ are understood to be studying the feasibility of this, but yesterday refused to comment.

But other officials say the scheme should be restricted to banks under pressure as the strongest banks are already able to raise capital through the markets without government aid. There is unanimous agreement, however, that banks taking over a failed institution should receive funds.

The first test could come within weeks. North Pacific, a regional bank, is expected to apply for recapitalisation soon. It recently took over the business of Hokkaido Takushoku, Japan's 10th largest commercial bank, which failed in November.

Some analysts hope the recapitalisation could help stimulate a wave of mergers and takeovers, and a badly needed consolidation in Japan's banking sector.

But many fear that if the scheme is used too widely it could undermine Japan's Big Bang deregulation plans.

Jacques Santer (left), president of the European Commission, is greeted by Tony Blair, British prime minister, as he and 19 other commissioners arrived for talks in London. Mr Santer praised Britain's 'new, positive approach' to Europe. Report, Page 8 Reuters

Paintings seized in US amid ownership dispute

By Eric Frey in Vienna and John Authers in New York

Two valuable Austrian paintings on loan to New York's Museum of Modern Art have been impounded by a Manhattan district attorney after ownership was claimed by descendants of Holocaust victims.

The move sparked an outcry in Austria yesterday. Elisabeth Gehrer, Austrian education and culture minister, called the seizure "a heavy blow to the international exchange of art". Art experts said museums and collectors might shy away from sending their works to the US if they could not be sure of getting them back.

The two paintings by the expressionist painter Egon Schiele, Portrait of Wally and Dead City, were impounded on Wednesday night, hours before they were due to return to Europe.

The affair adds a new twist on how to compensate Holocaust victims and their descendants for assets stolen by the Nazis.

The paintings are worth Sch95m ($7.4m)(and belong to the Leopold Foundation, a government body. They were sold by Viennese art collector Rudolf Leopold to the Austrian government in 1994. They had already been exhibited in many countries.

Robert Morgenthau, the district attorney, blocked the return of the paintings to Austria after Jewish families, resident in New York, claimed the works had been stolen from their relatives by the Nazis.

The foundation had offered on Wednesday to let the ownership of the paintings be decided by an independent international tribunal. The museum said it would meet the district attorney's staff to discuss the matter and stressed that it had taken the paintings in good faith.

Mr Leopold said yesterday there was no legal basis for impounding the paintings because he had never acquired works "where it could be proved that they were taken from Jewish owners".

Schiele's expressive and provocative nudes were popular

Continued on Page 20

WORLD NEWS

Netanyahu set to reveal details of troop withdrawal from West Bank

Israeli PM Benjamin Netanyahu said he would announce the scale of a Israeli troop withdrawal from the West Bank before he meets president Clinton in Washington on January 20. He is also trying to head off another revolt from within his government after defence minister Yitzhak Mordechai said he would resign if there was no troop pullback from the West Bank within three months. Page 20

German challenge to euro
Four German academics are set to mount a constitutional court challenge to the government's plans to join the European single currency next January. Page 2

Fears of new Balkan conflict
Robert Gelbard, US special envoy for the Balkans, is to visit Serbia's Kosovo province, where unrest among ethnic Albanians has raised fears of a wider regional conflict. Page 3

Protest over bugging plan
A compromise agreement among Germany's main political parties to allow controlled bugging of private homes has run into a storm of protest. Page 2

Romania coalition split
Romania's ruling coalition is split after PM Victor Ciorbea rejected demands to reinstate sacked transport minister Traian Basescu. Page 3

Italian corruption probe
Italy's parliament has begun considering whether to allow the formal arrest of former defence minister Cesare Previti on judicial corruption charges. Page 2

EU to act on Kurds
EU leaders have promised action to try to prevent the influx of Kurdish refugees into Italy from harming the Schengen free-travel pact, and from further poisoning EU relations with Turkey. Page 2

UK to probe Bhutto assets
Pakistan's senior anti-corruption investigator Senator Saifur Rehman said UK courts have ordered the seizure of documents relating to assets and bank accounts of Asif Ali Zardari, husband of former PM Benazir Bhutto.

Venezuela smuggling drive
Venezuela is to suspend the operating licences of 600 out of its 2,100 customs agents to crack down on contraband and improve revenue collection. Page 5

Steel strike off
Next week's threatened strike by east German steel workers has been averted after employers agreed to the IG Metall union's pay demands. Page 2

FAA ready for Boeing tests
The Federal Aviation Authority is preparing for possible safety inspections of Boeing 737s after the crash of a Singaporean aircraft in Indonesia last month. Page 4

Chinese dissident warns west
Chinese dissident Wei Jingsheng, now free after 18 years in jail, warned the west against seeming to endorse human rights violations through their dialogue with China. Page 6

Senate probes cost $190m
US Senate investigations such as those into campaign funds, Whitewater and the IRS have cost taxpayers nearly $190m since Republicans took control three years ago. Page 4

BUSINESS NEWS

Yoghurt could bring fortune to Scottish biotech group

An expensive slimming aid that went on sale in Sweden yesterday could make fat profits for Scottish biotechnology company Scotia and 1,300 Swedish dairy farmers. Maavål yoghurt contains Olibra, a patent combination of palm oil extract and oat oil which triggers signals telling the brain that enough has been eaten. Scotia shares rose 22½p to 325p. Page 21; Lex, Page 20

Radisson Hotels Worldwide, privately-owned US hotel group, wants Scandinavian Airlines System's 98-strong international hotels arm as part of European expansion plans. Page 21

Union Bank of Switzerland dismissed Hans-Peter Bauer, global head of fixed income, currency and derivatives, amid signs losses have been so much larger than expected. This could mean that 1997 staff bonuses in the investment banking operation may have to be slashed. Page 21

Deutsche Bank, Germany's biggest commercial bank, fell victim to speculation as talk of a capital increase knocked its shares down DM6.45 to DM115.55, although analysts tended to dismiss the rumours. Page 33

Britain's motor sport industry launched its first concerted export drive with the country's Department of Trade and Industry, targeted initially at Japan, with North America likely to follow next year. Page 7

Saab, Swedish aerospace group, stepped up its quest to win a big South African aircraft order by outlining plans to co-ordinate a SKr30bn ($3.8bn) investment package in the country. Page 7

German mergers and acquisitions hit record volumes last year, with the total size of deals more than doubling to DM152bn ($83.3bn), according to merger consultancy M&A Internationalankfurt. Page 22

Argentaria: The Spanish government's remaining 29.2 per cent holding in commercial bank Argentaria is to be sold in mid-February, mostly to small investors, under plans to be submitted today. Page 22

Telecom Italia, recently privatised group, is to be chaired by Gian Mario Rossignolo, head of Zanussi, the Italian consumer electronics company owned by Electrolux of Sweden. Page 22

Apollo Group, the largest US private higher education provider, plans to capture a slice of Asia's growing market for information technology training. Apollo has a market value of about $2.2bn. Page 21

Grand Hotel Group and Australian Tourism Group are merging to form Australia's largest listed hotel group with over A$500m (US$320m) in combined assets. Page 23

Coda Group shares fell 12 per cent after the software group reported annual pre-tax losses of £1.8m ($2.9m). UK-based Coda blamed the figures on the competitive US market. Page 24

Rolls-Royce Motor Cars enthusiasts hope they can raise £680m ($1.1bn) to bid for the luxury carmaker being sold by engineering and defence group Vickers. Page 24; Lex, Page 20

Markets

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	7,816.57	(-85.70)
NASDAQ Composite	1,560.50	(-1.20)
Europe and Far East		
CAC40	2,954.84	(-51.79)
DAX	4,293.84	(-46.34)
FTSE 100	5,237.1	(+13.0)
Nikkei	15,019.18	(-6.98)
US LUNCHTIME RATES		
Federal Funds	5¾%	
3-mth Treas Bills: Yld	5.09%	
Long Bond	105⅜	
Yield	5.74%	
OTHER RATES		
UK: 3-mo Interbank	7¾%	(7⅞%)
UK: 10 yr Gilt	108.797	(108.437)
France: 10 yr OAT	102.88	(102.32)
Germany: 10 yr Bund	106.3	(105.91)
Japan: 10 yr JGB	109.59	(109.77)
NORTH SEA OIL (Argus)		
Brent Dated	$15.42½	(15.24)

GOLD		
New York: Comex		
(Jan)	$281.1	(284)
London	$279.85	(283.35)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.6155	
DM	1.8170	
FFr	6.081	
SFr	1.4717	
Y	132.325	
London:		
£*	1.6163	(1.6247)
DM	1.8166	(1.8257)
FFr	6.0812	(6.1098)
SFr	1.4705	(1.478)
Y	132.83	(132.07)
Tokyo close:		Y 133.81
Sterling		
DM	2.9361	(2.9661)

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FINANCE

EMERGING MARKETS

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French PM attempts to defuse nationwide protests with package aimed at unemployed

Jospin to unveil plan to help jobless

By David Owen in Paris

Lionel Jospin, the French prime minister, is expected today to unveil new measures designed to end the protest by unemployed people that has put his cabinet's unity under strain.

Mr Jospin's personal initiative to defuse the situation got under way yesterday with a succession of meetings with employer, union and – significantly – representatives of the unemployed.

In a statement announcing the meetings, the prime minister's office acknowledged that the protests had revealed "certain deficiencies in our systems for dealing with urgent social situations in a society weakened by unemployment".

The government wanted to find "immediate concrete improvements for these urgent situations and, over and above that, the direction for lasting reforms, notably through legislation currently under preparation to fight against exclusion from society".

Martine Aubry, employment minister, has indicated that a bill, which has involved preparation by 19 ministers, would be presented to cabinet in the spring.

In Paris, a group of unemployed people occupying the city's social action centre since December 30 decided to evacuate the premises after local authorities were said to have offered a one-off payment of FFr1,000 ($165) for those with family responsibilities and FFr800 for those without.

But other welfare offices remained under occupation, while a branch of Crédit Lyonnais, the state-owned bank, was occupied in Montpellier, southern France, and some rail services were disrupted in Toulouse.

Jacques Chirac, the Gaullist president, chose this awkward moment for Mr Jospin to deliver a strongly worded warning about the dangers of leaning too heavily on the public sector for job creation.

"One day or another, the day of reckoning will come," Mr Chirac told an audience of business and trade union leaders. "How can we bankroll the state at so high a level without slowing economic activity and employment through excessive taxes?"

Mr Jospin must tread a delicate path in deciding his response to the protests. Some money could probably be found, provided that the government's projection for 1998 economic growth of 3 per cent proves well-founded.

But the government must take care not to jeopardise its ability to remain within the budget deficit limits necessary to qualify for European monetary union. Mr Jospin must also consider the effect that concessions might have on other special interest groups.

With more than 3m unemployed, meeting one of the protesters' chief demands – for a FFr3,000 year-end bonus – would cost about FFr9bn.

Right man on wrong path, Page 18

Row over German bugging proposal

By Peter Norman in Bonn

A *compromise agreement* among Germany's main political parties to allow the controlled bugging of private homes ran into a storm of protest yesterday.

Representatives of doctors, lawyers and journalists, who would be brought within its net, threatened resistance, including challenges in the constitutional court. The police complained that the proposed rules were too weak.

After eight hours of negotiations, law and order specialists from the centre-right coalition government and opposition Social Democratic party (SPD) reached agreement late on Wednesday on the outline of a constitutional amendment that would allow electronic surveillance of homes in the battle against crime.

"This is a decisive step towards fighting crime more effectively," said Manfred Kanther, interior minister.

The agreed formula is intended to secure the two-thirds majority in parliament needed to amend Article 13 of Germany's basic law, which guarantees the sanctity of the home. It triggered sharp criticism from the environmental Green party and from parts of the SPD and the Free Democratic party (FDP), the junior government coalition partner.

Plans to introduce bugging have been a running sore for the centre-left of German politics for some years and forced Sabine Leutheusser-Schnarrenberger, a member of the FDP's leftwing, to resign as justice minister in December 1995.

This week's compromise would ban bugging of priests in pastoral discussions, of consultations between defence lawyers and clients, and of parliamentarians in their official capacity. But other professions subject to rules of confidentiality such as advocates, doctors and journalists would be liable to surveillance – but only in special circumstances.

"This represents a massive violation of constitutional protections and editorial privacy," said Hermann Meyn, chairman of the German Journalists' Association. "Informants will no longer feel safe talking with journalists in their homes or in their offices. We will not lie down and accept the loss of this press freedom."

The Bundestag, the lower house of the German parliament, is due to vote on the compromise at the end of next week after it has been considered in the Bundestag legal affairs committee and by the various parliamentary parties.

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Pledge to protect Schengen pact

By David Buchan in London and James Blitz in Rome

Necati Bilican (right), Turkey's police chief, and Turkish delegate Ecvet Tezcan in Rome yesterday to discuss ways of stemming Kurdish migrations to the Italian coast *Reuters*

European Union leaders yesterday pledged action to try to prevent the influx of Kurdish refugees into Italy from harming the Schengen free-travel pact and from further poisoning the Union's relations with Turkey.

At the same time, police chiefs from countries including France, Germany, Italy and Turkey met in Rome to discuss co-operating to stem further Kurdish migrations to the Italian coast. The meeting was expected to agree ways to identify clandestine immigrants who do not make formal applications for political asylum.

After an event in London to inaugurate Britain's EU presidency, Tony Blair, UK prime minister, and Jacques Santer, European Commission president, said they would jointly present proposals to EU foreign ministers at the end of this month. The aim would be to help Rome cope with more than 1,200 Kurds who landed in southern Italy last week, and prevent any uncontrolled flow of refugees to Italy's Schengen partners.

The UK does not belong to Schengen, but it was agreed last summer that the EU should take over running the convention, under which most continental European states have removed checks on internal borders in return for tighter security on external frontiers.

"It is very important to realise that while Europe cannot be a fortress it is not only for the free movement of people within Schengen but for the security of people inside Schengen," said Mr Santer yesterday.

Mr Santer also said "the latest figures show" a 17 per cent cut in the crime rate within the Schengen zone.

According to Commission officials, money already exists to help Italy tighten coastal security, but it is tied to a convention on EU external borders that is blocked because of an Anglo-Spanish dispute over Gibraltar's status. Mr Blair promised "intensive diplomacy" to repair EU ties with Turkey, which should realise "the tremendous sense that we want Turkey to be part of the family of Europe".

Ankara took umbrage at the EU's failure at its Luxembourg summit last month to include Turkey in the next two waves of candidates to join the Union.

But Mr Santer said the Turks were undervaluing the fact that for the first time, all 15 EU members, Greece included, had agreed a common strategy that explicitly foresaw Turkey eventually joining the Union. He said he hoped Turkey would still take part in a new-style European conference in March. Mr Blair said he still hoped that Turkish Cypriots would soon join Greek Cypriots in negotiating EU membership. He said it was "common sense" that EU entry negotiations would be greatly helped by "progress towards a lasting settlement" between the island's two communities.

Fears mount over Italy's back door

For the Italian government, the current crisis over Kurdish refugees – and diplomatic tension with Germany – could not have come at a more unfortunate moment.

Over recent years, a succession of Italian ministers has been desperately trying to get the country admitted to the Schengen group of European Union states which operate open borders and allow free passage of individuals.

At the end of last year Romano Prodi's government finally gained admission. But just weeks before Italy's land borders with France and Germany are to be opened, the arrival of more than 1,200 Kurdish refugees on Italy's southern coast has re-ignited fears that Rome might not be a reliable member of Schengen.

German officials have expressed concern over Italy's alleged "open door" policy on refugees, in light of comments by Oscar Luigi Scalfaro, Italian president, that Kurdish refugees would be greeted with "open arms" by Italy – even though many want to travel to Germany, where some 400,000 are already in residence.

Manfred Kanther, German interior minister, insisted that Italy provide "concrete results", not just "diplomatic assurances". There has even been speculation that France and Germany might tighten their borders with Italy rather than move to a full opening. Italian officials have barely concealed their irritation over the German reaction. Piero Fassino, a foreign affairs minister, voiced exasperation with the "spaghetti and revolver" image the Germans retained of Italians.

A senior European Union official in Brussels – a non-Italian – also suggested that Mr Kanther's comments exaggerated the issue. "The fact is that if any of these Kurds had managed to fly to, say, Copenhagen, they would have been given asylum status at once while the Italians are carefully examining them on case-by-case basis," he said. "Italian immigration policy seems more rigid than that of some other EU states these days."

Two perceptions have always caused concern about Italian admission to Schengen. The first is the country's 8,000km coastal frontier, bordering a sea that serves as a passageway out of political instability in North Africa, Albania, Yugoslavia and Turkey. Italian interior ministry officials admit there is little they can do to stop smaller craft landing undetected on beaches at a given point on the Adriatic coast. But they say EU officials were fully satisfied with control at major eastern ports last year. The second perception is that Italy, which has a strong Catholic lobby which favours the admission of refugees, has traditionally been much "softer" on immigration control than other EU states.

However, the interior ministry says policy has become tougher, claiming that while Italy has only about 35,000 refugees from the former Yugoslavia, Germany has some 150,000.

Where Italy is vulnerable to criticism is the existence of a loophole in its immigration law. At present, any refugee arriving in Italy who fails to apply for political asylum is given an expulsion order and granted 15 days to appeal. The interior ministry admits that, during that period, up to 90 per cent of the recipients go into hiding.

Legislation that would end the flight of these "clandestini" should be enacted by the end of this month. The new immigration law would ensure that people who receive the 15-day expulsion order are kept in police custody before leaving Italian territory. The Kurds currently on Italy's Mediterranean coast are also being persuaded to apply for asylum so they can legally remain within official custody.

None of this is to suggest that Italian policy is watertight. "Italy has come late to immigration policy," admits the EU official. "But for Germany and France to put up the barriers now in the face of an influx of 1,200 Kurds would be an over-reaction to say the least."

James Blitz

Turkish Kurds take part in hunger strike

By Kelly Couturier in Ankara

Going blind, numb in their lower limbs and no longer able to take fluids, 13 inmates were near death yesterday in a hunger strike in two maximum-security prisons in the eastern Turkish city of Erzurum, according to human rights activists.

The 13 are among an estimated 370 prisoners who began a hunger strike 49 days ago. An estimated 90 inmates are currently fasting in protest at prison conditions.

The strikers are demanding that abusive prison staff be transferred, that they be allowed to circulate freely among wards, and that they be granted longer visiting hours and freer contact with relatives. They also oppose plans by prison administrators to separate the inmates into private cells.

Most protesters are members of the Kurdistan Workers party (PKK), the guerrilla group waging an armed insurgency in south-eastern Turkey. Turkish officials have often complained that PKK inmates recruit members from inside the prisons.

"They want to turn the prison into a terrorist camp. We cannot allow that," the Erzurum chief prosecutor, Hakki Koylu, said after talks between prison officials and strikers broke down. As the strikers' health deteriorated, rights activists urged them to end the protest. Oltan Sungurlu, the justice minister, said those in a critical condition would be taken to hospital, "whether they wanted to go or not".

The prison hunger strike underscores the continuing strife in Turkey's troubled south-east, where the 13-year civil war between government forces and the PKK drags on. Ankara's military approach to the conflict and refusal to grant cultural rights to the sizable Kurdish minority has been an irritant in Turkey's relations with the European Union.

Turkey froze political dialogue with the EU last month after being left off the list of formal membership candidates at the EU's summit in Luxembourg. Ankara was told it must make progress on solving the Kurdish conflict, improving human rights and resolving its disputes with Greece before its candidacy could advance.

The visiting French foreign minister, Hubert Védrine, urged Turkey to participate in a European conference for aspiring EU members to be held next March in London. "France is very conscious of Turkey's disappointment over the decisions taken at Luxembourg," said Mr Védrine.

German court challenge to euro

By Peter Norman in Bonn

Four German academics will argue plans for Emu are fundamentally flawed

Four German academics are set to mount a constitutional court challenge on Monday to the government's plans to join the European single currency next January on the grounds that the scheme will not work and should not begin in present circumstances.

The complaint, which was being finalised yesterday, will argue that Germany has failed to meet the criteria for economic and monetary union in the European Union's 1992 Maastricht Treaty. It will say the plans for Emu are fundamentally flawed because it is due to be launched without the promised political union in Europe.

Wilhelm Nölling, one of the petitioners, said the constitutional court in Karlsruhe had been told to expect the complaint on Monday. Mr Nölling, a retired Social Democrat politician and former member of the Bundesbank's decision-making council, will file the suit along with Karl Albrecht Schachtschneider, a constitutional specialist at the University of Nuremberg; Wilhelm Hankel, a Frankfurt economics professor and former monetary official, and Joachim Starbatty, an economics professor from Tübingen University.

"The complaint will not be against Emu as such," Mr Nölling said yesterday. "It will say it is wrong because it will not work and should not begin in present circumstances."

Mr Nölling expressed concern about the future role and standing of the European Central Bank. Its attempts to steer the very varied national economies of Europe by means of a single short-term interest rate would fail, he warned. "It will be overstretched and become a political football." In a recent essay* outlining the planned complaint, Mr Schachtschneider argued that Germany fulfilled none of the Maastricht convergence criteria.

Even Germany's inflation rate of below 2 per cent could not be taken seriously because it was achieved in an unstable economy with high unemployment. The 20 per cent rise in average indebtedness in the EU and the growth of unemployment since 1991-92 pointed to real divergence in the European economies.

The petitioners will argue that Emu contravenes Article 14 of Germany's constitution because the euro will be weak and threaten their own property rights and those of fellow Germans.

They will say the government has contravened article 38 and an earlier 1993 constitutional court ruling on Emu by treating the advent of the single currency as an automatic process outside parliamentary control.

Although three other complaints against Emu have already been lodged with the court, the suit of the four academics has generated especial interest.

Mr Nölling, as an establishment figure, is unusual for breaking the German political consensus on Emu. Mr Schachtschneider led an earlier constitutional court challenge against Emu in 1992-93.

At most, the court will confirm on Monday whether the complaint has been lodged. It will then be studied to determine whether there is a case against Emu.

The ruling coalition of Helmut Kohl, the chancellor, remains confident that the single currency will start on schedule on January 1 1999.

**Der Kampf um den Euro, Hoffmann und Campe Verlag, 1998, DM32*

NEWS DIGEST

German steel strike called off

A threatened strike next week by east German steel workers has been averted after employers agreed to the IG Metall union's demands to grant employees pay increases in line with those in the west of the country.

The agreement on Wednesday night means east German steelworkers will receive a 2.6 per cent pay increase back-dated to January 1.

While employers' representatives described the agreement as unsatisfactory and said it had been made under pressure, IG Metall said it brought an end to attempts to exclude east German steelworkers from collectively negotiated pay deals made in the west. East Germany's 8,000 steelworkers currently receive between 80 and 83 per cent of the rate paid to their western colleagues.

IG Metall said it expected its members to accept the deal, which will be put to a ballot on Monday.

Frederick Stüdemann, Berlin

■ ITALIAN SCANDAL

MPs debate ex-minister's fate

The Italian parliament yesterday began a two-week process in which it will decide whether to give the go-ahead for the formal arrest of Cesare Previti, the former defence minister in Silvio Berlusconi's government, on charges of judicial corruption.

Mr Previti spent three hours setting out his defence to the parliament's procedural commission. Milan magistrates are seeking his arrest on charges that he helped bribe a group of judges in Rome over a period of six and half years to the tune of L67bn ($37m).

Mr Previti, a deputy in the Italian parliament, can only be formally detained if the 630 deputies give final approval.

James Blitz, Rome

■ DOOMSDAY CULT

Police foil mass suicide

Spanish police foiled a mass suicide planned by a 30-member sect whose members believed they would be carried away by spaceship from the summit Teide volcano in Tenerife, officials said yesterday.

The group, which may be linked to the Solar Temple suicide cult, was convinced that the end of the world would take place yesterday evening, according to a government official.

Police in the Canary Islands had been tracking the group's movements for some time and its leader, a German psychologist, was arrested on Wednesday for inducement to suicide. Another 30 members of the group, including four minors, have been identified. Most are Germans, officials said.

"Inducement to suicide is a crime, and for that reason the security forces had to avoid this evil thing," Antonio Lopez, the Canaries official, told a news conference.

Reuters, Madrid

■ CZECH POLITICS

Minister quits Klaus party

Ivan Pilip, Czech finance minister, resigned yesterday from the Civic Democratic party (ODS) after an ultimatum from Vaclav Klaus, the former prime minister, to choose between his ministerial post and his membership of the party.

Mr Pilip's move could eventually split the ODS and lead to the creation of a new rightwing party.

Mr Pilip, who led calls in November for Mr Klaus's resignation over a political funding scandal, said: "Because the ODS has decided not to clarify its financial scandals ... I have decided to end my membership in the ODS."

Mr Klaus had threatened to oppose the incoming government of Josef Tosovsky in a vote of confidence at the end of the month if Mr Pilip and three other ODS ministers did not either resign or leave his party. Mr Klaus may still do so but his deputies voted earlier this week to support the government if it meets ODS objectives.

● Czech unemployment has topped 5 per cent for the first time, according to labour ministry figures for December. The jobless rate for the month was 5.2 per cent, with 268,902 people out of work – up from 3.5 per cent a year before.

Robert Anderson, Prague

■ HUNGARIAN BUSINESS

Foreign investors happy

Foreign investors in Hungary are increasingly satisfied with the nation's economic management as it prepares to join the European Union, a survey said yesterday.

The survey of 155 companies by the KPMG research institute said 84 per cent were satisfied, while only 16 per cent were disappointed in their market expansion and workforce expectations. Tax allowances, incentives and the low-cost workforce were welcomed, the report said, but investors were particularly interested in more strategic aims, such as seeking better international market positions.

Investors who arrived before 1992 were dissatisfied with incalculable inflation and forint devaluation figures and the waning purchasing power of Hungarians. But tighter economic policies and the introduction of a slowly sliding forint devaluation system since 1995, as well as last year's faster economic and legal reform to make Hungary conform to EU expectations, significantly improved the economic environment, investors said.

AFP, Budapest

■ BOSNIAN SERBS

West backs Plavsic's choice

Western officials have given their backing to the prime minister chosen by the Bosnian Serb president, Biljana Plavsic, the deputy high representative to Bosnia, Jacques Klein, said yesterday.

Mrs Plavsic, who won international backing by pledging to support the Dayton peace accords, put forward Mladen Ivanic, an economics professor from her power base in Banja Luka, to serve as prime minister in the next Bosnian Serb government.

The next session of the Bosnian Serb parliament is scheduled for next Monday. The inaugural meeting on December 27 failed to come up with new leaders.

Mr Klein, who met Mrs Plavsic yesterday, said that international officials in Bosnia hoped the new government will be formed at the new session. Nationalists loyal to the former Bosnian Serb leader and war crimes suspect Radovan Karadzic have been locked in a power struggle with Mrs Plavsic and reject her choice of Mr Ivanic.

AFP, Banja Luka

■ SWEDISH CRIME

Olympic bomber jailed

A man accused of orchestrating a bombing campaign to disrupt Sweden's bid for the 2004 Olympics was yesterday sentenced to seven years in jail by a Stockholm court.

Mats Hinze, a 27-year-old anti-establishment protester, was convicted of arson and conspiracy to cause destruction following a series of fire-bombings during last summer's Olympics campaign.

A second man has been arrested in connection with the bombings, which overshadowed Sweden's bid to host the summer games for the first time since 1912. The games were awarded to Athens.

Tim Burt, Stockholm

US envoy to discuss Albanian unrest

Kosovo conflict may spread in Balkans

By Guy Dinmore in Belgrade

Robert Gelbard, the US special envoy for the Balkans, will next week make his first visit to Serbia's southern province of Kosovo, where unrest among ethnic Albanians has raised fears of a wider regional conflict.

These concerns have been heightened by a statement from a militant separatist group, the Kosovo Liberation Army, which said it had extended its operations for the first time to neighbouring Macedonia.

Serbian newspapers yesterday reported a claim by the group that its members had exploded bombs outside a court building in Gostivar in western Macedonia on December 16, and near two police stations in the central towns of Kumanovo and Prilep on January 4.

The Macedonian authorities denied the Kosovo group was responsible but gave no indication who was behind the incidents. Police killed three ethnic Albanians during anti-government riots in Gostivar last July, but Macedonia, where Albanians make up nearly a quarter of the population, has generally been spared the growing violence in Kosovo.

Politika, an official Serbian newspaper, said the Kosovo Liberation Army, which it described as a para-military terrorist organisation, had killed about 60 police and civilians in Kosovo over the past two years.

Albanian political leaders in Kosovo deny all knowledge of the group, but say they believe it is funded and organised by Albanian exiles in Germany and Switzerland, using arms smuggled from Albania.

Militants say they are fighting for the "liberation" of Kosovo and the union of all Albanians in the Balkans. Some villages in central Kosovo have become no-go areas for the security forces.

Mr Gelbard was quoted in Serbian newspapers as saying Washington was considering including the group on its list of terrorist organisations barred entry to the US. He is expected to discuss the Kosovo issue with Slobodan Milosevic, the Yugoslav president, in Belgrade before visiting Kosovo.

The US says there must be significant progress on Kosovo before it will lift sanctions on Yugoslavia denying it membership of international financial institutions. Serbia has been accused of serious human rights abuses in Kosovo since it abolished the province's autonomy in 1989.

Chernobyl's tomb is leaking

By Charles Clover in Kiev

The cement sarcophagus covering the entombed Chernobyl reactor, 120km from the Ukrainian capital of Kiev, is in poor condition and in urgent need of repair, according to the deputy general director of the reactor, Valentin Kupny.

In an interview with the Financial Times yesterday, Mr Kupny said: "All I can say is that the situation has worsened considerably."

He added: "I cannot say how dangerous this is. We haven't done a risk assessment. We have only done quantitative measuring ... I am not trying to frighten anyone, I am only trying to make people aware of the facts."

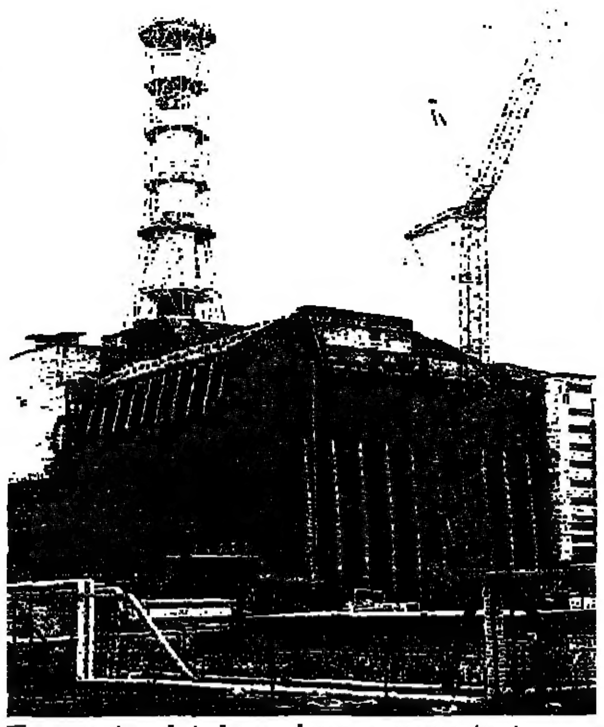
Last year was the first in which the engineers at the reactor used instruments to measure the deterioration of the cement structure, which was put in place after the reactor exploded nearly 12 years ago, spreading radiation throughout the region. Hundreds of thousands of people in Ukraine and neighbouring Belarus had to be resettled.

It has already been established that the structure is leaking radiation. Artur Korneyev, deputy director of operations at the reactor, said that according to some estimates, the leaking sarcophagus contains about 34 tonnes of radioactive dust. He added that about 4,000 cu m of radioactive waste had been removed from the structure in 1997.

Mr Kupny estimated that it would require some $178m merely to stabilise the situation. More than $300m has already been committed by the Group of Seven industrialised countries but none of this can be disbursed before tenders are awarded to complete the repairs.

Ukrainian government officials privately grumble at what they perceive to be foot-dragging by western donors. Officials at the European Bank for Reconstruction and Development, which is managing the project, counter that the tenders must be done in a transparent manner, which may cause bureaucratic delays.

"The work is progressing as fast as was envisaged," said Lars Larsson, director for nuclear safety at the EBRD. Mr Larsson said that physical work would start as early as next summer.



The concrete and steel sarcophagus covers reactor 4 AP

Cracks open in Romania coalition

By Anatol Lieven

Romania's ruling coalition was bitterly divided yesterday after the prime minister, Victor Ciorbea, rejected demands to reinstate a sacked minister.

The transport minister, Traian Basescu, was asked to resign a week ago after a newspaper interview in which he accused ministers from Mr Ciorbea's National Peasants' party, the leading coalition partner, of incompetence and of being too weak to take vital decisions on economic reform. In a lightly veiled personal attack on Mr Ciorbea, he referred to "useless cabinet meetings lasting 18 hours".

When Mr Ciorbea reorganised his government early last month, he stated publicly that no more "infantile" criticisms of the cabinet by its own members would be tolerated.

However, Mr Basescu's Democratic party, led by the Senate chairman, Petre Roman, has refused to accept his dismissal. They were already smarting over the forced resignation of another party member, Adrian Severin, the foreign minister, a week earlier.

Mr Severin failed to substantiate allegations that unnamed leading politicians and editors were agents of foreign intelligence agencies. The Democratic party nominated as his replacement Andrei Plesu, a respected former dissident.

The Democratic Party is unlikely to quit the government. "They don't have enough seats to form a government with the opposition, and if they force early elections, they will be the losers," a western diplomat in Bucharest said.

However, the dispute has made the bad relations between the coalition partners even worse. Wrangling between them has been one reason why economic reforms are running badly behind schedule.

Turkey's energy sell-off faces power of courts

Legal offensive puts privatisation plans in doubt, reports John Barham

Turkey's multi-billion dollar strategy for privatising and modernising its energy industry is in jeopardy, thanks in part to Gökhan Candoğan, a 26-year-old lawyer who graduated from university only three years ago.

He belongs to a team of lawyers, politicians and engineers determined to defend the public sector by fighting in the courts every law, directive and decree allowing private capital into the energy industry. The industry has remained under absolute state control for more than 70 years, but the government says Turkey needs foreign investment to avoid an imminent collapse in power supplies.

However, Mr Candoğan says: "Privatisation should be done [according to] the constitution, but [ministers] just want to do things the way they want to. American companies bring laws to the ministers and make them sign, but the ministers do not understand the law." He believes foreign investors would push up electricity prices "and take the profit to their countries. Turkey should carry out these projects alone".

He has filed court petitions demanding a halt to construction by foreign companies, such as Siemens of Germany and Britain's National Power, of 13 power stations worth about $10bn. He and his client, the Chamber of Electrical Engineers, want a planned transfer to private companies of existing state-owned power stations and distribution networks to be stopped. Mr Candoğan says the constitution defines these projects as concessions and that they must therefore be monitored by the Daniştay, the country's high court for administrative affairs and civil law.

This rule exists to prevent foreigners exploiting strategic infrastructure and industry and so avoid modern Turkey suffering the same fate as the Ottoman empire, whose collapse, many Turks believe, was hastened by allowing western companies to colonise key sectors of the economy.

This legal doctrine makes it difficult to raise foreign finance, since international banks refuse to back projects subject to intervention by Turkish courts and without recourse to international arbitration.

Undeterred, courts have ordered the government to rewrite laws harnessing private capital for public projects, such as the Build-Operate-Transfer (BOT) model, first applied in Turkey in the 1980s. This allows contractors to build and operate a project such as a dam, bridge or water supply system, earn a profit and then transfer it to the state after a specified period.

H Ali Yiğit, a board member of the Chamber of Electrical Engineers, claims not to have lost a single case against the government and expects to stop all further privately financed projects. He says, "We are fighting to defend the state," and accuses the government of "sabotaging" state companies to transfer them to private investors. However, the real force behind the legal offensive is Mümtaz Soysal, a constitutional lawyer and leftwing nationalist politician. Working through his Foundation For Development of Public Enterprises, he has stalled almost every big privatisation. He once said: "What are being sold are the ports which are Turkey's gates, the factories which are the country's chimneys and the energy plants which are the country's stove. This is not privatisation. This is downright robbery, theft and plunder."

Even his adversaries admire his determination. One lawyer working for multi-national energy companies agrees with Mr Soysal that the government must amend the constitution's restrictions on concessions before Turkey can attract substantial foreign capital. Uğur Bayar, head of the privatisation agency, recognises that previous governments drafted laws carelessly, exposing them to attack in court.

Courts have ordered the government to rewrite laws harnessing private capital for public projects

The constitutional court has considerable sympathy for Mr Soysal's views. Yekta Güngör Ozden, until recently chief justice, said: "The constitutional court always opposed applications for privatisation which would result in wasting resources for nothing." Polls show public opinion supports the privatisation concept but suspects crooked politicians would use it to enrich themselves.

Changing the constitution will not be easy. It requires a two-thirds majority in the 550-member parliament, but the coalition government of Mesut Yilmaz is about 50 seats short of a majority.

Mr Soysal and his supporters dream of taking Turkey back to an earlier time when basic industries were controlled by the state and managed in the best interests of society, not shareholders.

Mr Yiğit says Turkey has more than enough generating capacity but suffers a "management crisis" that has led to one third of this capacity being wasted due to poor maintenance and widespread theft of power. "In the 1980s [Turkey] had some of the world's best managers, but political people were appointed and the system's problems began."

However, he admits he is powerless to end meddling by politicians. Until then, Mr Candoğan and company can look forward to more court victories while ordinary Turks ponder the disagreeable choice between more blackouts or increasing a public debt of more than $100bn to pay for new state-owned power stations.

UK aims for motor sport export drive

By John Griffiths in Birmingham

The UK's motor sport industry yesterday launched its first concerted export drive with the country's Department of Trade and Industry (DTI).

The venture, which is receiving substantial but undisclosed assistance from the DTI, is targeted initially at Japan, with North America likely to follow next year.

It will aim to reinforce the UK motor sport industry's position, Chris Aylett, chief executive of the Motor Sport Industry Association, said yesterday.

He was speaking at the unveiling of the project at Autosport International, the UK's annual showcase for the motor sport industry in Birmingham.

Up to 40 motor sport companies are expected to take part in a motor sport trade mission to Japan in May. This will be followed by a substantial presence at a British Motor Show to be held in Yokohama in October as finale to Festival UK 98, a series of events throughout the year promoting the UK and being attended by Tony Blair, the prime minister.

The initiative follows several by the DTI which have sought to promote new business between carmakers inside Japan and the mainstream UK components industry as part of efforts to improve the components sector's overall competitiveness.

It has concluded, however, that there is little prospect of mainstream parts makers supplying Japanese vehicle makers with components anywhere else but at their UK "transplants" and that the motor sport sector, which employs some 50,000 at 4,000 companies in the UK and has a turnover of £1.5bn ($2.4bn) a year, offers a much better prospect for direct export.

Motor sport has become a substantial leisure industry in Japan and is creating a growing market both for complete car exports – one of the country's most senior single seater championships uses only UK-built Lola cars – and for motor sport related after-market goods.

Large retailing networks, such as the 450-outlet Autovacs and Toyota-controlled Tacti chains, have been created in recent years to cater to car enthusiasts.

DTI officials believe that if UK motor sport companies can develop a firm base in Japan, they will be well placed to exploit markets in south-east Asian states, whose motor sport sectors are just starting to develop.

Component suppliers, Page 8

Weak yen and low spending hit Japan's imports

By Michiyo Nakamoto in Tokyo

Car imports in Japan have fallen for the first time in five years, highlighting the impact of a weak yen and depressed consumer spending.

Sales of imported vehicles fell nearly 15 per cent in 1997 to 364,882 units, according to the Japan Automobile Importers' Association, reversing recent gains in the Japanese market. The trend, coupled with an export drive by Japanese carmakers, renews concerns about friction between Japan and its trading partners in the west.

Imported vehicle sales declined as Japanese manufacturers reduced reverse imports from manufacturing plants abroad and foreign companies suffered from a sharp downturn in demand in a weak economic environment.

Japanese vehicle makers, which had been importing their US-manufactured cars while the yen was strong, have sharply reduced reverse imports. Toyota's reverse imports from the US were 72 per cent lower while those of Honda declined 37 per cent.

Meanwhile, overall foreign imports were nearly 7 per cent down, with those of the US Big Three suffering worst.

Ford's sales in Japan dropped by nearly 40 per cent to 8,853 units, while both Chrysler and GM suffered falls of about 11 per cent.

European car manufacturers, which had enjoyed huge gains in Japan until recently, also came under pressure. Volvo suffered a 20 per cent fall year-on-year. BMW managed to avoid a decline because of new imports from its US facility. Sales of Opel, GM's European arm dropped 10 per cent.

The US car industry has called on the US and Japanese governments to address the impact of the weak yen and weak domestic consumption on trade relations.

"A more realistic yen-dollar rate would benefit both economies and help avoid renewed trade friction," said Andrew Card, president of the American Automobile Manufacturers' Association. Continuing reliance on the weak yen and exporting its problems would hurt both the Asian region and the US-Japan trade relations, he warned.

In the US car market, Japanese cars beat the Ford Taurus to become the first and second best-selling cars last year. Toyota's Camry was best-selling car, followed by the Honda Accord.

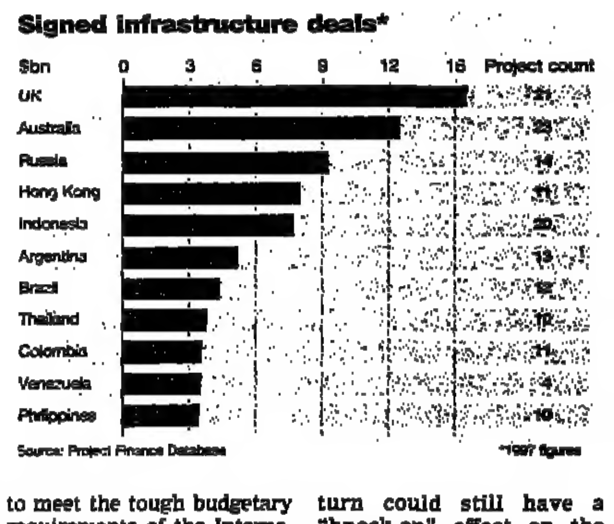
Bankers face hard times as projects slip away

Bankers face "being thrown out, into the streets" as international banks rationalise project finance operations in the wake of the Asian currency crisis, Peter Luchetti, global head of project finance for Bank of America, warned this week.

He said that there had already been job losses in Hong Kong and that more were expected this year as investors, banks and governments re-evaluate infrastructure investments.

Asia has provided business opportunities for international lenders, investors and operating companies as rapidly expanding economies have sought billions of dollars of private sector investment to improve grossly inadequate power, water, telecommunications and transport systems.

The recent financial crisis however has led to a number of prestige schemes being cancelled or postponed. This trend seems likely to continue as authorities struggle to meet the tough budgetary requirements of the International Monetary Fund and World Bank.



So far, the region's problems have failed to dent demand for project finance in other key markets such as eastern and western Europe and and south America. Bankers, including Mr Luchetti, however, are concerned that the Asian downturn could still have a "knock-on" effect on the global economy.

A survey of 800 international banks, published today by the London based Project Finance magazine, reports that private sector lending for infrastructure projects in the Asia-Pacific region more than halved from $76.26bn in 1996 to $34.47bn last year. Lending globally declined from $223.9bn to $151.47bn.

The largest market, measured by total cash raised last year, was the UK, accounting for deals worth $16.6bn. European and US water, power, prisons, hospitals, railway and toll road companies are members of consortia which which have won concessions under the British government's expanding private finance initiative.

The drive to privatise previously state-owned services in eastern Europe is also providing opportunities for bankers and investors with project finance deals worth $18.36bn closed last year compared with $15.64bn in 1996 according to Project Finance.

Latin America accounting for deals worth $27.38bn was the third biggest market in 1997 behind Asia-Pacific ($34.47bn) and western Europe ($31.11bn).

Brazil, where a large privatisation programme is under way, has been a particularly strong market. State assets worth some $80bn are proposed to be sold over the next few years.

The newly created capital hungry electricity and telecoms companies are planning ambitious expansion programmes that will require additional financing, say bankers.

VBC Energia which bought CPFL, the São Paulo electricity company, is currently arranging a $600m loan through ABN Amro and Banco Santander.

Large dollar-producing oil and gas projects continue to attract strong international investment interest. Credit Suisse First Boston recently year led a $1bn bond issue and $450m syndicated bank loan to support a $2.2bn Venezuelan investment by Petrozuata, a joint venture between Conoco of the US and Petroleos de Venezuela.

A series of similarly large projects in the Orinoco oil belt in Venezuela, which will require financing, are planned by joint ventures involving Mobil, Total, Norsk Hydro and Statoil.

Transport and water projects, which rely on customers paying in local currencies, are likely to find it even more difficult in the present climate to attract international support.

Jonathan Scott, executive director at SBC Warburg Dillon Read, said: "The total market may turn down, in the short term, but demand for private finance can only increase with authorities no longer able to fund the infrastructure needs of modern economies from the public purse."

Peter Luchetti of Bank of America supports this view but says that lending rates and spreads on project bonds, which increased sharply last year, will continue to remain high. A number of projects may also find themselves gathering dust in the pending file.

Andrew Taylor

Cellular data standards venture

By Greg McIvor in Stockholm

The world's three largest suppliers of mobile telephones and a Californian computer software group are to form a joint company to promote a common global technology for cellular data transmission.

Motorola of the US, Nokia of Finland and Sweden's Ericsson – which together dominate the world mobile handset market – said the venture with Unwired Planet of Silicon Valley was aimed at developing a world standard for wireless access to internet and other advanced electronic services.

Last year the four announced their intention to collaborate in establishing a technology known as Wireless Application Protocol (WAP). Other telecommunications companies have been invited to participate.

The emergence of a global standard for advanced multimedia services would cut costs for network operators, equipment suppliers and consumers. According to the companies, cellular network operators in the US, Europe, Asia and Latin America have expressed interest in the venture.

"If we don't have a standard there will be different services coming from different parts of the world, which means the market will fragment," said Ilkka Raiskinen, vice-president of business development at Nokia mobile phones.

He said WAP would support a wide variety of wireless data-based services. These could range from internet and entertainment to electronic banking, betting and accessing corporate data.

Until now, mobile phone networks have been used mainly for voice calls. But cellular data transmission is projected to grow rapidly when third-generation networks capable of handling high-speed data flows enter service from about 2002.

Saab keen to clinch S Africa jet order

By Tim Burt in Stockholm

Saab, the Swedish aerospace group, yesterday stepped up its pursuit of a 48-aircraft order in South Africa by outlining plans to co-ordinate a SKr30bn ($3.8bn) business investment package in the country.

The group – a wholly owned subsidiary of Investor, the main investment vehicle of Sweden's Wallenberg industrial empire – said it would encourage other companies within the Investor portfolio to join it in supporting a new business development centre in South Africa.

Saab, which is seeking its first overseas sales for its JAS-39 Gripen fighter, said such a centre could generate SKr30bn of investment over 10 years.

The proposal was unveiled by Bengt Halse, Saab managing director, during a visit to Cape Town yesterday. Mr Halse is understood to have approached companies within the Investor group such as engineering groups Atlas Copco and SKF about joining the scheme.

Although the plans are at a preliminary stage, Investor said it was keen to encourage "networking" among companies where it has controlling stakes.

Officials added that Percy Barnevik, chairman of Swiss-Swedish engineering group ABB, who became chairman of Investor last year, was determined to exploit industrial synergies between companies within the group.

The move marks the latest attempt by Saab to boost sales of its Gripen fighter, which was yesterday said to be one of three types of jet being considered by the South African government.

France and Germany have submitted tenders, with their Mirage and AT2000 aircraft respectively.

Although the Swedish government has ordered more than 200 Gripen fighters, Saab has not yet secured export orders.

Period of gentle rapprochement seen as best way to break down decades of distrust

US welcomes Iranian call for dialogue

By Nancy Dunne in Washington

The US said yesterday it would consider cultural exchanges between US academics, writers, artists, journalists and tourists as proposed on Wednesday night by Mohammed Khatami, the Iranian president, in a ground-breaking CNN interview.

Mike McCurry, White House spokesman, went beyond the initial cautious State Department response welcoming the "many positive remarks" about the US.

"We welcome the fact that he wants a dialogue with the American people and between two great civilisations," Mr McCurry said. "That can be useful. But it's also important to stress that the best way for issues to be addressed is for governments to talk directly."

However, asked if he thought President Bill Clinton would ever visit Iran, he said: "Not in my lifetime."

Mr McCurry said US visa restrictions would be reviewed to allow for cultural exchanges proposed as a way to break down two decades of distrust between the American and Iranian people. The proposal mirrors the route taken by the US and China, during a period of "ping pong" diplomacy, which ultimately led to diplomatic relations.

A period of gentle rapprochement could give both the US and Iranian presidents time to deal with their respective critics. Senator Sam Brownback, a conservative Republican said: "Iran must change its actions – not just words – before we consider changing US policy toward this rogue nation. I will not support any changes or lifting of sanctions on Iran until we see measurable improvement in Iranian behaviour."

There was indignation about Mr Khatami's reference in the interview to Israel as a "racist terrorist regime". Congresswoman Jane Harmon, a California Democrat, said she did not excuse the remarks about Israel but "I think this is a forward kind of rhetoric".

In the meantime, Mr Clinton must soon decide whether to impose sanctions on the French energy giant Total and two partners for investing in Iran. The so-called "D'Amato law" gives him considerable flexibility. Mrs Madeleine Albright, secretary of state, must soon decide if the investment violates the law, and there is little likelihood that she will decide that it does not. She can then impose sanctions, waive them in the national interest, or take 90 days to negotiate with the governments of the offending countries.

She can even decide she has made progress and add another 90 days to the process. At the conclusion, if relations with Iran are improving, she could conceivable cite this as a reason fora waiver.

Stuart Eizenstat, State Department undersecretary for economics, has already begun a process designed to reduce the use of economic sanctions. He said on Wednesday he had set up a special "sanctions team" which would assist in decision-making.

Sanctions would be imposed only as a last resort of diplomatic measures had failed to achieve the desired end.

Multinational action would be sought rather than US unilateralism. The sanctions would be designed specially so that the targeted companies would suffer, along with US companies which lose business as a result of US retaliation.

Netanyahu gambles on hard economic line

Israel's PM wants to delay polls to show the benefits of restructuring, writes **Judy Dempsey**

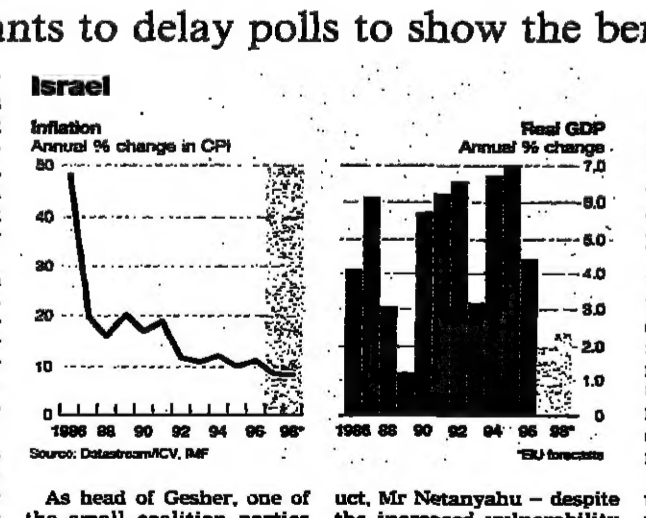
Before David Levy resigned as Israel's foreign minister last Sunday, Benjamin Netanyahu, the prime minister, spent days explaining to him why it was necessary to cut this year's expenditure by Shk2.3bn ($648m).

The government, argued Mr Netanyahu, had inherited from the former Labour government a deficit of Shk15bn, an inflation rate of 11 per cent and prime interest rates of about 18 per cent.

The whole point of the 1998 budget, he added, was to control fiscal policy. Over time it would lead to lower interest rates, lower inflation and eventually a lower tax burden. Surely, the less well-off would benefit.

Since Mr Netanyahu was elected 19 months ago, inflation has fallen to 9 per cent, still considered too high by economists, while the key lending rate has fallen to 13.4 per cent.

Economic growth, however, has slowed from 4.4 per cent in 1996 to 2 per cent last year because of a tight monetary policy, moderation in export growth, falling immigration and a collapse in net tourism receipts following bomb attacks and a stalled peace process.



As head of Gesher, one of the small coalition parties which draws its support from the less well-off – mainly Oriental Jews – Mr Levy wanted to show he was the champion of the unemployed. He was not persuaded by Mr Netanyahu's arguments.

If that meant resigning, and threatening the future stability of the government, Mr Levy's supporters calculated Gesher would only gain from such a decision. "His support would rise if elections were held soon," said one of his aides.

But after the Knesset voted for a budget aimed at cutting the deficit to 2.4 per cent of gross domestic product, Mr Netanyahu – despite the increased vulnerability of his coalition caused by Mr Levy's resignation – will try to hold off for as long as possible before calling elections.

"Putting aside the peace process, if elections were called today, Levy would gain because unemployment is rising. Netanyahu needs time to turn around – the economy. He will go to the polls when he can tell people they are better off under Likud," said an adviser to the prime minister.

It is a gamble. Unemployment is rising, edging towards 9 per cent of the labour force. Daniella Finn, chief analyst at Ilanot-Batucha Investments, said this could make it difficult to meet the 1998 budget deficit target. "Tax revenues will fall while the cost of growing unemployment will rise. Fiscal policy will come under pressure."

But Mr Netanyahu, and especially Yaakov Neeman, the finance minister, seem determined to maintain a tight fiscal policy even if it means tolerating higher unemployment. They believe rising unemployment is one of the prices to be paid for restructuring the economy.

Mr Netanyahu wants to move away from low value-added labour intensive industries to high-tech sectors which can be competitive on world markets.

This shift started under the former Labour government but accelerated under Likud as more textile companies moved production to neighbouring Jordan, Egypt and over to Turkey as well. "If we want to compete, we have to cut costs at home," said Dov Lautman, chairman of Delta, Israel's leading textile group.

Mr Netanyahu knows moving production out of Israel to improve competitiveness is unpopular among traditional working class Likud voters, as he discovered last month when thousands of workers lambasted the government after several textile companies announced redundancies.

"Netanyahu has few choices. It would be a mistake to pump money into a textile industry which is labour intensive. We will not be able to compete," said Ilan Doran, head of trading at Solid ISG. "He has to focus on high-tech."

The government said yesterday it would form a $1bn fund to invest in high-tech start-ups.

In the short term, Mr Netanyahu will be unable to create new jobs for a workforce unaccustomed to mobility, competition, or retraining – the socialist, centralised state was supposed to guarantee jobs for life. In the long term, if he can keep the government together, he intends to use the impact of his deregulation and liberalisation policies to woo voters, used to voting only on the peace issue.

He can already show results. The cost of international telephone calls has fallen by at least 70 per cent after the government last year dismantled the monopoly held by Bezeq, the state-controlled telecommunications group. And backed by Mr Neeman and David Tadmor, head of the anti-trust authority, Mr Netanyahu is chipping away at cartels and monopolies which have dominated the economy since Israel was founded 50 years ago. He has also pledged to continue with privatisation, including the defence and utilities sectors, bastions of the Histadrut trade union.

"Netanyahu wants to break the elites which control the economy. He wants to give people more choice and access to cheaper goods and leave more money in their pockets to spend," explained an economist from the Bank of Israel, the central bank. "But I don't know how far he can go, given the instability of the government and the hostility of the unions and industrial lobbies to structural reform."

Another economist from a leading trading house went further. "Netanyahu is good for the economy. He's beginning to get into his stride. But if the truth be known, when foreign investors ask me what's going to happen here, I tell them more and more the days of the government are numbered." If so, Mr Levy's Gesher party could be the first to gain.

NEWS DIGEST

Kenyan finance minister moved

Musalia Mudavadi, regarded as a leading architect of Kenya's economic reform programme, yesterday lost his job as finance minister in a move certain to alarm foreign donors anxious to see the country's faltering liberalisation continue.

According to a new cabinet list announced three days after President Daniel arap Moi was sworn in for a fifth term, Mr Mudavadi becomes agriculture minister, while his ministerial portfolio is transferred to Simeon Nyachae, a veteran political player who held the post of land reclamation minister in the last government.

"This is bad news. Along with Micah Cheserem, the central bank governor, Mudavadi was the pivotal figure in Kenya's modernisation," said a senior western diplomat. "This will hit confidence in the good intentions of the new government."

Analysts said Mr Mudavadi could be paying the price for the International Monetary Fund's suspension of aid last August on corruption issues. During that crisis, which sent the shilling plunging, Mr Mudavadi was bitterly criticised by Moi aides as being too sympathetic to the Fund's concerns. *Michela Wrong, Nairobi*

■ TASK FORCE REPORTS

Call for UN crisis unit

An analysis unit should be set up at the United Nations to improve Security Council decision-making, according to a task force of experienced foreign policy makers which reported yesterday.

Lord Carrington, who chaired the task force, told an audience including two of his successors as UK foreign secretary that he was "worried about the gap between the readiness of UN member states to pass resolutions under Chapter VII of the Charter [which deals with threats to peace] and the lack of machinery to implement them".

The aim of the task force – which included politicians from the US, UK, Russia, France, Japan, South Africa, Brazil, Pakistan and Uganda – was to bridge this gap by suggesting improvements in both decision-making and enforcement of decisions. *Edward Mortimer, London*

Words to Deeds: Strengthening the UN's Enforcement Capabilities United Nations Association of the United States of America, 801 Second Avenue, New York, New York 10017)

■ MASSACRE CONCERN

EU to send team to Algeria

European Union officials reached agreement in principle yesterday to send a mission to Algeria, as urged by Klaus Kinkel, German foreign minister, and Robin Cook, his British counterpart. "This is an important initial step which will help the EU to get a clearer picture of the situation on the ground," said Mr Cook. "It will also enable the EU to make clear to the Algerian government the concern felt in Europe about the security situation in Algeria and our desire to offer humanitarian assistance."

The move marks an attempt by the EU at least to appear to be formulating a diplomatic initiative on Algeria, where massacres of civilians have outraged international public opinion. The precise mandate of the mission has to be worked out. Algerian officials said yesterday their response to the EU decision to send a mission would depend on its mandate. *Roula Khalaf, London*

NEWS: THE AMERICAS

NEWS DIGEST

Tobacco group on defensive

Brown & Williamson Tobacco, a US subsidiary of Britain's BAT Industries, has defended its role in an alleged conspiracy to produce high-nicotine tobacco, saying it never intended to use the tobacco to raise the nicotine content of cigarettes. Its statement followed Wednesday's filing of criminal charges against DNA Plant Technology, a California biotechnology company, which was accused by the Justice Department of conspiring with an unnamed tobacco company to export genetically engineered seeds capable of yielding high-nicotine tobacco.

Growing such tobacco is banned in the US, and the export of tobacco seeds was banned until 1991 when the law was repealed. The Justice Department alleges that in the seven years before the repeal, employees of both companies exported seeds. *Richard Tomkins, New York*

■ BRAZILIAN ECONOMY

Consumer prices climb 4.8%

Consumer prices in Brazil rose 4.82 per cent in 1997, less than half the increase recorded in 1996, according to figures published yesterday by the Economics Research Institute (Fipe) at the University of São Paulo.

Modest price rises for food and a 5.8 per cent fall in clothing prices helped reduce inflationary pressures caused by rising housing, education and health prices. The Fipe index, which measures inflation in the greater São Paulo area, rose 10.03 per cent in 1996.

Earlier this week Dieese, a labour research organisation, said the cost of living in São Paulo had risen 6.11 per cent last year, the lowest increase since 1959. Economists predict the expected slowdown in economic activity in the first half of this year will lead inflation to fall to as low as 2 per cent in 1998.

Despite the news Brazilian financial markets continued to lose recent gains. By mid-afternoon the São Paulo Bovespa index of leading companies, which dropped 3 per cent on Wednesday, was 2.13 per cent lower at 9,667 points. *Geoff Dyer, São Paulo*

■ US POLITICS

Probes by Senate cost $190m

Senate investigations such as the ones into campaign fundraising, Whitewater and the Internal Revenue Service have cost US taxpayers nearly $190m since Republicans took control three years ago, records show. This is more than the $98m Congress allotted this year for the arts, the $130m for job training programmes or the $100m for Unicef, the United Nations programme that feeds poor children.

John Berthoud, president of the National Taxpayers Union, said: "Numbers like this should cause some eyebrows to rise and some questions to be asked. This is obviously one of the most important things that Congress does, but they shouldn't be given a blank cheque."

Mike Collins, a spokesman for the Republican national committee, said the costs of the investigations would have been smaller had the Clinton administration and Democratic party officials co-operated rather than stonewalled the Senate.

Because of reporting changes when Republicans took control of the Senate in 1995, this is the first time the public has been able to track the exact amount of money the Senate has spent in its various investigations. In the House, investigative money is still not tracked separately. *AP, Washington*

■ BOEING 737 CRASH

FAA prepares for inspections

The US Federal Aviation Administration is preparing for possible safety inspections of Boeing 737s after the crash of a Singaporean aircraft in Indonesia last month. In a statement yesterday the FAA said it was working closely with the National Transportation Safety Board and Indonesian authorities to establish the cause of the crash and was prepared to take "immediate action" if possible safety problems with the aircraft were uncovered.

"In preparation for that possibility, the FAA is taking steps to be ready to direct safety inspections on some Boeing 737s should the need arise," the statement said. Recent reports suggest the aircraft may have been missing crucial bolts that helped stabilise it in flight.

Last year the FAA ordered extra inspections for more than 30 older Boeing 737s in use in the US because of potential problems with cracks in the aircraft body. *Mark Suzman, Washington*

■ CAPITAL PUNISHMENT

Bahamas resumes executions

The Bahamas will reinstate executions of convicted murderers next week and other Caribbean countries are likely to bring back hanging this year. The resumption of capital punishment, attacked by regional and international human rights groups, follows a steady increase in violent crime in the region.

Four prisoners were sentenced to death in the Bahamas this week, while 17 other convicted murderers had their sentences commuted to life imprisonment. The national security ministry said this was in keeping with a ruling by the Privy Council under which, if the death sentence was not carried out within five years, it would be commuted.

The execution of condemned prisoners is also expected to resume in Jamaica, where there are 50 such prisoners. *Canute James, Kingston*

■ GUN INDUSTRY

Philadelphia takes a pot shot

Philadelphia is considering taking on the nation's gun industry in a landmark lawsuit, with lawyers preparing a legal case accusing the industry of creating a public nuisance through firearms used by criminals.

The suit would demand millions of dollars for costs stemming from guns – including washing blood off streets and paying police overtime.

Last year state attorneys-general used a similar tactic to reach an unprecedented settlement with the tobacco industry. *AP, Washington*

Asia may prompt looser Fed stance

By Gerard Baker in Washington

US economic growth is likely to slow significantly this year as a result of the Asian financial crisis, improving the prospects for lower inflation and prompting a shift in the monetary policy of the Federal Reserve, a leading member of the Fed's board of governors said yesterday.

In a speech most economists interpreted as a clear signal that the outlook for the central bank's policy has changed significantly in the last few weeks, Laurence Meyer, traditionally one of the more hawkish Fed governors, said the turmoil in Asia would reduce US growth to a more sustainable level from the rapid pace of the last year.

"It has reinforced prospects for some spontaneous slowing of the economy, introduced a downside risk that had not previously been an important consideration in policy deliberations, and added an additional restraining force on inflation immediately ahead," he told the Economic Strategy Institute, a Washington based think-tank.

Mr Meyer said growth would probably be 0.5-0.75 percentage points below what it would have been without the Asian effect. That should critically change the stance of Fed policy over the next year. The central bank raised interest rates last March, and though it has not changed rates since then, its policymaking open market committee has retained a bias towards tightening monetary policy, signifying that the next move in rates was more likely to be up than down.

Mr Meyer indicated it was now time for that policy to change. "Because upside and downside risks for growth and inflation appear to be more balanced than had been the case earlier, I believe monetary policy also needs to be in a more balanced position," he said.

Though Mr Meyer emphasised the views expressed were his own, the remarks were the strongest hint yet from a senior official of the central bank that policy might change. Earlier this week, financial markets interpreted a speech by Alan Greenspan, the Fed chairman, in which he openly discussed the effects of deflation, as a sign the central bank policy was softening. Private sector economists interpreted Mr Meyer's observation as a much more transparent sign of a Fed shift. "This was from a Fed governor who is widely viewed as a monetary hawk," said John Lipsky, chief economist at Chase Manhattan Bank in New York.

The remarks came as new figures confirmed the continuing absence of inflationary pressures in the economy. Producer prices fell by 0.2 per cent last month, the Commerce Department reported yesterday, and were down 1.2 per cent in 1997 as a whole. Excluding the volatile food and energy costs, wholesale prices fell by 0.1 per cent in December and were up by just 0.1 per cent in 1997.

Mr Meyer said without the Asian crisis, a case could have been made for a tightening of policy. Growth last year at over 3.5 per cent was "unsustainable". It failed to result in higher inflation only because of a confluence of unusually favourable factors such as a strong dollar and cyclical improvements in productivity.

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As media assemble for Pope's visit, Havana holds one-party elections

'Democracy' showcase for Cuba

Juan Carlos Consuegra, a 42-year-old lieutenant-colonel in Cuba's Interior Ministry, is one of the "candidates of the people" standing in one-party general elections to be held on the communist-ruled island on Sunday.

A few months ago, wearing civilian clothes and using the undercover name "Manuel", he was working at the Foreign Ministry's international press centre, keeping an eye on foreign journalists. Before that he spent some time in a Cuban tourist corporation, also in the line of official duty.

But on Sunday he and two other candidates will stand for election as deputies for Havana's Plaza de la Revolución municipality in Cuba's 601-seat National Assembly.

A poster showing Fidel Castro with Pope John Paul on sale in Havana *Canadian Press*

The other two candidates running in Plaza's District 1 are Carlos Lage, Cuba's 46-year-old reformist vice-president, and José Luis Toledo, a 44-year-old state prosecutor and currently dean of Havana University's law faculty. But Lt-Col Consuegra need not worry too much about the competition, because there is not any. He is running for election not against the other two but with them, part of a single official list of 601 "candidates of the people" proposed to fill the 601 parliament seats. A single list of 1,192 candidates also exists to fill the 1,192 seats up for election in the island's provincial assemblies.

Not surprisingly this national election, which offers no alternatives to the ruling Communist party, has elicited little excitement or expectation among the population. In a similar national poll held in 1993 the authorities announced a 99.57 per cent turnout.

But this year, apparently concerned about possible voter apathy, Cuban President Fidel Castro's government is laying on a massive barrage of propaganda through the state media urging citizens to turn up to the polls and endorse the "candidates of the people".

The government decided to hold the scheduled general election just 10 days before the arrival of Pope John Paul II on his first trip to Cuba. Representatives of the world's media, including leading US TV networks, are already gathering in Havana to cover the Pope's visit. The Cuban leadership seems to want to use the elections to put on a show of national unity to dispel speculation about Cuba's political future, which is likely to increase during the papal visit.

"It is an important test at an important moment, which should strengthen the revolution and send one more message to our enemies," Mr Castro said. The main "enemy" is the US government, which seeks to isolate Mr Castro internationally and maintains a long-standing trade embargo against the island.

The Cuban election candidates include Mr Castro, up for re-election as a deputy for the eastern city of Santiago de Cuba.

They are selected by candidacy commissions formed by members of pro-government political organisations representing students, farmers and other social groups.

The candidates are mostly a loyal mixture of model workers, party and local government officials and senior political and military personalities. Rebuffing foreign criticism of the elections, Mr Castro has described them as "the most democratic in the world". He says the Cuban polls are free of the fraud, influence-peddling and high abstention levels seen in other countries.

Voting is not obligatory, but electors are being told the vote for the official candidates is a "moral duty". To reinforce this members of the more than 117,000 pro-government neighbourhood block committees – committees for the Defence of the Revolution – across the island are making house-to-house calls for the "individual persuasion" of voters.

Pascal Fletcher

Skills shortfall predicted

By Nicholas Timmins in Washington

US manufacturers are facing a crisis in finding skilled workers to fill high technology jobs, the National Association of Manufacturers warned yesterday.

Launching a survey of 450 companies among its 14,000 members, who have 18m employees, the association said 88 per cent reported a shortage of qualified workers, a significantly worse position than in a 1991 survey. The association urged an end to the political log-jam which has prevented establishment of a national skills standard and system to test schoolchildren.

Jerry Jasinowski, president of NAM, said companies were rejecting up to three-quarters of applicants for lacking basic qualifications. "Some in high-tech industries are interviewing hundreds of people before they can find the half dozen who can properly read, compute and do the problem solving we need. This is a crisis that the public school system has not solved." NAM said the situation could threaten competitiveness. The association called on companies to invest at least 3 per cent of payroll in education and training.

Venezuela in drive against smuggling

By Raymond Colitt in Caracas

Venezuela will suspend operating licences of up to 600 out of 2,100 customs agents in an attempt to crack down on contraband goods and improve revenue collection. The Venezuela tax institute, Seniat, is focusing its action on agents at the Caribbean port of La Guaira, near Caracas.

Many of the agents, who act as intermediaries between importers and customs officials, have been accused of corruption and handling contraband goods. Nationwide 2,900 customs agents, known as "briefcase agents" as they operate without offices, are being investigated.

"This is part of an offensive we're launching to clean up customs and ports," said Eduardo Sanchez, the Seniat's head of customs. Venezuela's customs are notorious for their time-consuming bureaucracy and red tape.

Tax and tariff evasion, said Mr Sanchez, was between 35 and 40 per cent. Taking into account an estimated 10 per cent of all shipments are undeclared, the actual figure could be as high as 50 per cent, he said.

In a special operation last year, the Seniat, which oversees both internal and customs revenue, identified 700 undeclared containers in La Guaira customs and collected Bs1.3bn ($2.6m) in tariffs. However, a shortage of funds means controls are still erratic. Mr Sanchez said outdated legislation had meant ridiculously low penalties, with fines of between Bs10 (2 cents) and Bs1,000 ($2).

Mr Sanchez said that the next step was to crack down on corrupt tax authorities, and that "it is a structural problem" requiring a comprehensive plan, including new legislation. Legislation has been stuck between the Seniat and Congress for years and is unlikely to be approved before December's presidential election.

Import duties and value-added tax revenue collected by customs has risen from Bs1,000bn in 1996 to Bs1,900bn in nominal terms, although most of the increase is due to a surge in overall imports. The 1998 target for import duties, including service charges, said Rafael Solorzano at Seniat's planning department, was Bs843bn, up from Bs728.6bn in 1997.

As part of its stand-by agreement with the IMF, which expired last August, Venezuela agreed to boost its efforts to increase tax compliance but has focused on internal revenue rather than customs.

US power groups face shake-out

By Heather Bourbeau in Washington

North American power industry executives believe increased competition from more-open markets is bringing financial benefits to larger companies, but more than half of today's companies are expected to close over the next 10 years.

According to a report by the Washington International Energy Group, an industry management consultancy, established companies, such as the West Coast's PG&E, will continue to dominate the industry, while consolidation and asset sales will ease transition costs for other large investor-owned utilities.

"In 1998 we will see the first deep-seated impacts of the biggest change in the North American electricity business since Thomas Edison began selling electricity in New York in 1882," said Roger Gale, president of the consultancy.

Executives surveyed by the consultancy expect mid-size companies (500,000-1m customers) to be hit the hardest. Gas and electric consolidation would result in between 10 and 50 generation companies in North America. The survey's authors say: "We still believe that many utilities are going to disappear as the industry consolidates, but the regulatory climate in most states, with a few exceptions, is at least for now very favourable to utilities."

Mr Gale said that as more customers would be forced to choose energy providers, existing utility companies expected to lose 20-50 per cent of their customers. But greater choice and lower electric prices would not immediately result in lower bills.

Companies have sought refuge from the costs of competition in value-added product sales and other services, including security systems and home appliance warranty sales.

The coal industry will suffer as the use of more environmentally friendly natural gas is promoted. Utility companies will also be forced develop alternative energy sources.

NEWS: ASIA-PACIFIC

Indonesians stock up on food as rupiah and share prices plunge to new lows

Tensions rise over Suharto's future

By Sander Thoenes in Jakarta

Indonesians rushed to stock up on staple foods as the rupiah and the stock market reached new depths yesterday, fueling concern about the political survival of President Suharto.

Mr Suharto, the world's second-longest serving ruler, belied rumours he would appear on television to announce he would not seek re-election in March. Instead, he attended the funeral of a former minister and made no public statement.

But market traders and other Indonesians said the economic crisis might compel him to step down although no one was able to say who might replace him. The rupiah dived past 10,000 to the US dollar and the Jakarta Stock Exchange index lost 19 per cent at one point, the biggest falls in five months of steep drops.

The rupiah kept falling in overseas markets after Jakarta's market closed, dragging down most regional currencies.

On the stock market, the index bounced back in late trading but was still 12 per cent down at 347.108. The rupiah stood at 2,400 a year ago and the index reached a high of 740 in July.

Shares in two companies owned by a son and a daughter of Mr Suharto were among the worst hit yesterday. Rumours of troop movements and of demonstrations also rattled the markets, but were debunked by diplomats who checked the purported sites.

Indonesians rushed to neighbourhood markets to buy staple foods, some of which have doubled in price in recent months because of a severe drought which forced Indonesia to import rice and other products.

"The dollar is rising again. I heard a rumour that rice, sugar and other foods will disappear from the market," said a mother of two as she stacked up on rice, cooking oil and sugar.

Many buyers simply wanted to ensure supplies before the Idul Fitri holiday in late January, when most Indonesians return to their villages.

But the mother of two was a member of Indonesia's wealthy Chinese minority who have been the target of numerous riots in the past year. "If something happens we will have food and we can stay safely at home," she said. "I'm afraid." Fearful that inflation and massive job losses at debt-ridden enterprises will spark riots, some western companies have been reviewing evacuation plans and advised family members of expatriate employees not to return from the Christmas holidays.

Concern about Mr Suharto's future escalated when he disappointed markets and the International Monetary Fund on Tuesday with a draft budget and policy statement that gave little indication that the government was willing to take painful steps to restore faith in the economy.

Companies, many of which have seen their net asset value turn negative as the drop of the rupiah boosted offshore debt, have given little indication they are willing to sell assets or shares at prices investors would pay.

Instead, some lenders fear that mounting defaults will spark a private debt moratorium.

Unlike Thailand and South Korea, Indonesia has not had the political change that has allowed the other two to move ahead with painful steps to address the looming private debt crisis.

Indonesians queueing to buy cooking oil yesterday — Reuters

But President Suharto and his government have come under an unprecedented barrage of criticism, with newspapers breaking new taboos daily, such as printing calls for the president's resignation by retired generals, student movements and the leader of one of the largest Moslem organisations.

Only last year, a member of parliament was jailed for defaming the president by suggesting just that.

"Before it was only the students and the middle class," said Arief Budiman, a sociologist and government critic. "Now it's part of the elite as well. They too want to get rid of Mr Suharto. The question is whether they want an abrupt change or want Suharto to ensure a smooth change. You just need something to melt the ice," he added. "When the ice breaks, everybody will join. The military will follow suit. Only the ones who are very dependent on Suharto will defend him, but they will have little support."

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Bankers warily gauge Indonesia risk

By George Graham, Banking Editor

International bankers watched cautiously yesterday as Indonesia's financial situation deteriorated, adding to worries over their Asian credit risks.

Indonesia's foreign debt totalled $58.7bn on June 30 last year, according to the most recent statistics available from the Bank for International Settlements (BIS), with $34.7bn of that falling due within 12 months.

But credit rating agencies said there were still doubts about the real level of private sector debt. "Data on all external debts falling due over coming months have not been available from the authorities, complicating any assessment of the external liquidity position," said Fitch IBCA, an international ratings agency.

When South Korea's finance ministry published data on its foreign debt last month, the numbers were almost 50 per cent above the $103bn previously published by the BIS.

Fitch IBCA yesterday cut Indonesia's foreign currency rating from double B plus to double B minus, citing political and policy uncertainty in the wake of the country's budget proposals and "the consequent failure to maintain the confidence needed to roll over the high level of external debt."

The bulk of foreign bank exposure in Indonesia is held by Japanese banks with $23.2bn and European banks with $22.5bn. US banks are less exposed, with $4.6bn outstanding according to the BIS.

The largest European lenders to Indonesia are Germany, with $5.6bn, and France, with £4.8bn.

Romain Burnand, analyst at Paribas Capital Markets, estimates that Commerzbank would be the most exposed German bank, with Indonesian loans amounting to about 16 per cent of its capital base.

In France, Crédit Lyonnais would be most exposed, with loans estimated to amount to 27 per cent of its capital.

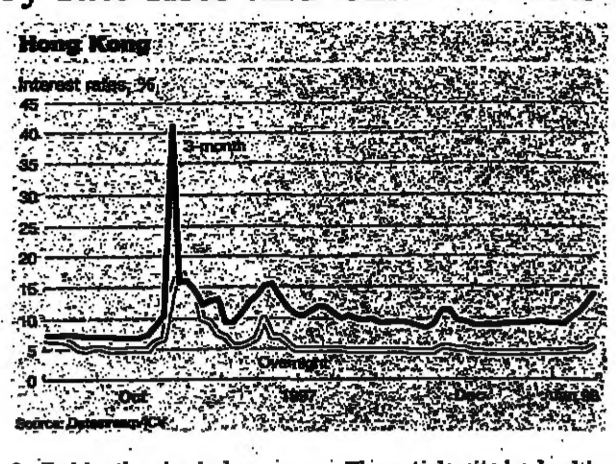
Unlike Korea, where most foreign bank lending has been to Korean banks, Indonesia has seen more direct lending to local commercial companies.

Non-bank private sector foreign debt totals $39.7bn, compared with just £12.4bn of interbank debt. However, figures reported to the BIS do not include subsidiary and offshore debt.

Hong Kong braced as Asia storms swirl

Markets upset by rate rises and China doubts

When Hong Kong fought off an assault on its currency last October, it won the battle but not the war. This week has brought a new round in the struggle, with the stock market plunging almost 14 per cent and crashing through support levels at 10,000 and 9,000 points on consecutive days.



While there is little immediate evidence of significant speculative pressure against the Hong Kong dollar, which has been pegged to the US currency since 1983, fears over raised interest rates and new worries about China's exchange rate policy have shaken confidence.

"We still think the peg will hold, but there will be a heavy price exacted on the stock market," says Kent Rossiter, senior manager of Asian equities sales at Nikko Securities.

Officials, hinting they want an adjustment in the real economy to offset relative currency appreciation, have sought to display a cool hand. Donald Tsang, financial secretary, yesterday said the latest turbulence would prove "short-lived" and Hong Kong would emerge first from the regional carnage. But few were reassured.

Describing yesterday's "panic selling", Mr Rossiter said immediate concerns centred on interest rates.

Prime lending rates were already increased from 8.75 per cent to 9.5 per cent last October. But continued high money market rates, and yesterday's jump from 12.5 per cent to more than 14 per cent in three-month rates, fuelled fears of an imminent increase as banks try to cover funding costs.

"I don't want to pin it down to a day, but we expect an increase soon," said Keith Irving, vice president of Merrill Lynch in Hong Kong.

Interest rates are an Achilles heel of Hong Kong's economy, given the dominance of property and banking. Concerns have been fuelled by the rise in borrowing over the past year, as loans fuelled a rise in real estate spending and construction.

The impact of higher interest rates is set to cut growth in gross domestic product to below 3 per cent this year, compared with about 5 per cent in 1997. That spells significant pain for the economy, with tourism, retail trade and the property sector already suffering.

Despite the pain, most believe Hong Kong's economy and its financial system are in better shape than casualties across the region.

"This is a problem for bank profitability, not bank safety," says Mr Irving at Merrill Lynch. "We are expecting close to zero earnings growth in 1998 for the banks, but there is still quite a wide margin for safety."

While interest rates are a familiar weakness, however, a growing cause for concern is posed by China's response to regional currency turmoil.

Should Beijing decide to devalue in an attempt to regain competitiveness, it would deal a body blow to the Hong Kong currency regime, leaving the territory's currency isolated.

So far, Beijing has dismissed the suggestion it will be forced down this path. "The likelihood of a devaluation is very small," said a front page article this week in the communist People's Daily newspaper.

The article cited a healthy trade picture and foreign exchange reserves in excess of US$140bn. It also noted the rise in trade friction with the US and regional partners that would result from such a move.

Despite a predicted slowdown in mainland growth, many economists take a similar view. "We do not believe China will be forced to devalue" its currency – the *renminbi*, or *yuan* – says Dong Tao, senior economist at Schroders Securities. "The export overlap between China and south-east Asia is small, and China still has the lowest labour costs."

But investors are not convinced. China-backed shares on the Hong Kong stock market have plunged even more sharply than the benchmark Hang Seng index so far this year, partly reflecting fears of a devaluation and the resulting impact on earnings by companies operating in China.

The index for H-shares, Hong Kong-listings of mainland companies, has fallen 25 per cent, while the index for "red chips", Hong Kong subsidiaries of mainland business groups, have fallen a similar amount. "A lot of investors expect the worst," said one Hong Kong trader. "And with the events of the past six months, who can blame them?"

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John Ridding

US-Japan talks fail to calm jittery currency markets

By Gerard Baker in Washington

Foreign exchange markets remained jittery yesterday after lengthy discussions between senior US and Japanese officials about international economic conditions.

The dollar rose slightly against the yen following the meetings, which seemed to damp expectations that the two countries would agree to joint currency intervention to bring down the value of the US currency.

Eisuke Sakakibara, the Japanese vice minister for international finance, spent much of Wednesday in meetings with Alan Greenspan, the chairman of the Federal Reserve, and Lawrence Summers, the deputy Treasury secretary.

The US had no official comment on the outcome of the meetings, but in a brief statement, Mr Sakakibara said: "The United States and Japan will continue to co-operate as always, including in foreign exchange markets." This is the precise formula used by finance ministers of the Group of Seven industrialised countries when they address publicly international economic conditions, and does not signify anything concrete.

In fact, the US Treasury appears to have used the meetings to press the Japanese once again to do more to stimulate domestic demand. Mr Summers said before his discussions with his Japanese counterpart, that the condition of the Japanese economy would be the focus of the US approach.

Since the Asian crisis began last summer the US has pressed Japan to take a lead in restoring stability in the region by fostering its own domestic demand and by sorting out the mess in its financial system.

Both moves would represent a significant step towards restoring confidence in the whole of Asia, they argue.

The dollar has risen sharply in the last few weeks as the Asian financial crisis has intensified, and senior Japanese monetary officials have privately expressed concern that the dollar's strength might be adding to the region's problems.

For their part, Japanese officials point to the fiscal stimulus announced by Tokyo last month in the form of a Y20,000bn ($150bn) tax cut and their continuing efforts to restructure the battered banking system. They argue that the dollar's strength, however, is not helping the process of stabilisation, since it is heightening uncertainty and encouraging a process of competitive devaluations among Asian countries that is adding to their foreign debt problems.

But most private sector economists in the US argue that the dollar's strength is merely an inevitable outcome of the turmoil and that any attempts to reverse it would be futile.

"A lot of this talk is coming from the Japanese side: they are very nervous about this," said Robert Brusca, chief economist at Nikko Securities in New York.

Government rejects call for further big tax cut

Japanese government officials yesterday rejected calls by six opposition parties to adopt a Y6,000bn ($46bn) tax cut to stimulate Japan's depressed economy, writes Michiyo Nakamoto.

Taku Yamasaki, head of the Liberal Democratic party's policy research council, criticised the call by the six parties, which are forming a political grouping.

The tax cuts would involve income and residence taxes, and would be funded by issuing deficit bonds, according to the proposal.

Mr Yamasaki emphasised that the use of deficit bonds would go against the government's commitment to reform the nation's finances by 2003.

The ruling party has been caught between its commitment to fiscal reform and growing calls for further government action to stimulate Japan's anaemic economy.

While Ryutaro Hashimoto, the prime minister, surprised the world by reversing his no-tax-cut policy to boost domestic demand and announced a Y2,000bn one-off income tax cut last month, the move has been less effective than he hoped.

Even after Mr Hashimoto's decision, the Tokyo stock market has remained under pressure, while the yen has weakened sharply in recent weeks.

With the recently formed opposition group calling for a Y6,000bn tax cut, and growing concerns about the state of Japan's economy not only among the public but within the LDP itself, Mr Hashimoto is expected to face mounting pressure to take further action when the Diet resumes next Monday.

China dissident urges caution

By Peter Montagnon and James Kynge in London

Wei Jingsheng, the Chinese dissident freed last November after 18 years in prison, yesterday warned western nations not to appear to endorse human rights violations by engaging in dialogue with China.

Generally speaking there was nothing wrong with dialogue, he told a press conference, but in China's case, dialogue could give legitimacy to a government whose human rights record had not improved.

Mr Wei, whose release was granted on medical grounds, has clearly not recovered from the physical and mental abuse to which he was subjected in prison and broke off his press conference early, saying he was feeling too ill to continue.

But he plans to meet Baroness Thatcher, the former British prime minister, tomorrow and Derek Fatchett, the junior foreign office minister in charge of China, on Monday as part of a visit designed to encourage governments not to look only to their financial and economic interests in dealing with China.

In a decision that may prove controversial given Mr Wei's international reputation as a democracy activist, Robin Cook, the British foreign secretary, said he was too busy for a meeting to be arranged at short notice. But the Foreign Office said there were genuine scheduling constraints connected with Britain's EU presidency and Mr Cook "looks forward" to meeting Mr Wei during February or March.

Mr Cook, who has promised to put human rights at the centre of Britain's foreign policy, will also again raise human rights issues with Chinese leaders when he visits Beijing later this month. Mr Wei confirmed that when he was arrested in 1995 for a second time, he was placed in handcuffs on death row for several days and believed that some members of China's leadership wanted to have him sentenced to death.

Mr Wei, who formerly worked as an electrician in Beijing Zoo, was first imprisoned in 1979 on charges of attempting to overthrow the Chinese government after he called for the introduction of a democratic system.

He said yesterday he planned to meet the Dalai Lama, Tibet's spiritual leader, who is vilified by Beijing. He also said Hong Kong's democratic system had also been "limited a lot" since the handover from Britain last July.

Premier talks of closer co-operation 'on certain issues' but only if it is in 'our interest'

Santer praises Blair's attitude to EU

By Robert Peston, Political Editor

London played host to an unusual event yesterday, when Jacques Santer, the president of the European Commission, heaped praise on the British government.

As he and 19 other commissioners held talks with the entire British cabinet at the start of the UK's six months as EU president, Mr Santer took pains to flatter Tony Blair, British prime minister.

"The new positive approach you are following on European issues is as refreshing as it is highly appreciated," he said at a televised press conference.

It was "comforting" to know that Britain's EU priorities were similar to the Commission's.

Pro-European Conservative members of the European parliament may be purged at the hands of party activists under new arrangements for the selection of candidates planned by William Hague, leader of the opposition party, George Parker writes. Mr Hague is proposing that Conservative candidates for the 1999 Euro-elections should be chosen by the party membership, which tends to share his sceptical views on the European Union.

Some of the party's 18 MEPs have federalist views sharply at odds with those of the party leadership. Edward McMillan-Scott, leader of the British Conservative group in the parliament, said it would be a mistake for the leadership to impose a "loyalty test" on candidates.

Mr Blair said he wanted to work "in very close partnership with the Commission" but did not try to disguise the fact that his instincts on Europe are very different from those of Mr Santer.

His rhetoric was pitched so as not to inflame the Eurosceptic British press, while demonstrating that he is a pragmatic pro-European. After Mr Santer had said the UK presidency was "a great opportunity to advance the cause of European integration", Mr Blair preferred to talk about the advantages of "closer co-operation" over "certain issues" and only if this was in "our interest".

Mr Blair said he would play "a good and constructive role" over the issue of which countries will participate in European monetary union at the 1999 launch, the thorniest question facing the UK during its presidency.

His officials said this meant the UK would shy away from mounting a campaign to prevent countries with less robust economies from joining Emu.

"Having refused to be in [the new currency] at the start, it's a bit difficult for us to act as the strict enforcers of the Maastricht criteria," said one.

But Mr Blair's aspiration to serve as the Emu's dispassionate midwife came under attack from William Hague, leader of the opposition Conservative party, who showed he had no intention of joining in the new EU-UK entente.

"Allowing economies which are not ready to withstand the pressures of a single currency to join could spell disaster for the currency itself and catastrophe for the people of Europe," Mr Hague said last night.

"We must do our utmost to ensure that European governments do not put their political aspirations before the economic well-being of their citizens."

Meanwhile, Mr Blair repeated that the UK would not join Emu until it was clearly in the "national interest" to do so. Notably absent from his pronouncements were his customary avowals that the UK favoured monetary union "in principle".

Millennium impresarios to reveal dome secrets

By Brian Groom in London

For Britain, it will be a moment of truth. The public is at last to get its first glimpse into the Millennium Dome, the centrepiece of the country's celebrations for 2000. At the end of next month, models of the main exhibits in the dome will go on display.

The exhibition will launch a series of promotional events aimed at generating enthusiasm for the £758m ($1.2bn) project. The dome has been dogged by severe criticism from the media and politicians. In a recent opinion poll, four out of five people said it should be scrapped.

Designed by the Richard Rogers Partnership, the dome is being built on previously derelict land at Greenwich on the south-east side of London's river Thames.

It has had a troubled history. Conceived under the previous government, it was originally going to be a private sector project. But it proved an enormous burden for a newly formed company. After a series of management changes, and amid rising costs and the withdrawal of the principle designer of the dome's content, the project was brought into public ownership.

After last May's election victory, Tony Blair's Labour government considered cancelling the dome. It decided to go ahead, however, and Peter Mandelson, the minister without portfolio and a senior Blair ally, was put in charge. Since then, 11 leading design and architectural companies have been hired to plan the exhibition content.

New Millennium Experience, the state-owned company that is planning the extravaganza, and its agent, Mark McCormack's International Management Group, are negotiating with commercial companies to raise up to £150m in sponsorship.

> 'It will be very much about the British experience and will feel very different from Disney'

British Airways has already pledged £6m in principle. British Telecommunications, Swatch, the Swiss watch-maker, and the Corporation of London, the municipal authority for the City, are also expected to be sponsors, and a consortium of City institutions is likely to contribute a further £6m.

Less certain is the state of preparation for the show to be performed in the dome. This was originally to have been produced by Sir Cameron Mackintosh, the theatrical impresario. It would have involved famous writers, a cast including more than 1,000 children, and a *coup de theatre* in which walls would have risen around the audience to create an enclosed auditorium.

The show and auditorium, which would have cost more than a third of the dome's budget, have been cancelled. The company still promises similar entertainment based on a journey through time, in an open-plan amphitheatre with live performers.

Visiting Disney World in Florida last weekend, Mr Mandelson suggested that the open-plan piazza could resemble a town square, like Disney's Main Street, USA, and there might be a street parade. New Millennium Experience refuses to discuss how this would fit with the "journey through time" show.

It is also at pains to stress that the dome will not be like a Disney theme park. "It will be very much about the British experience and will feel very different from Disney," an official said.

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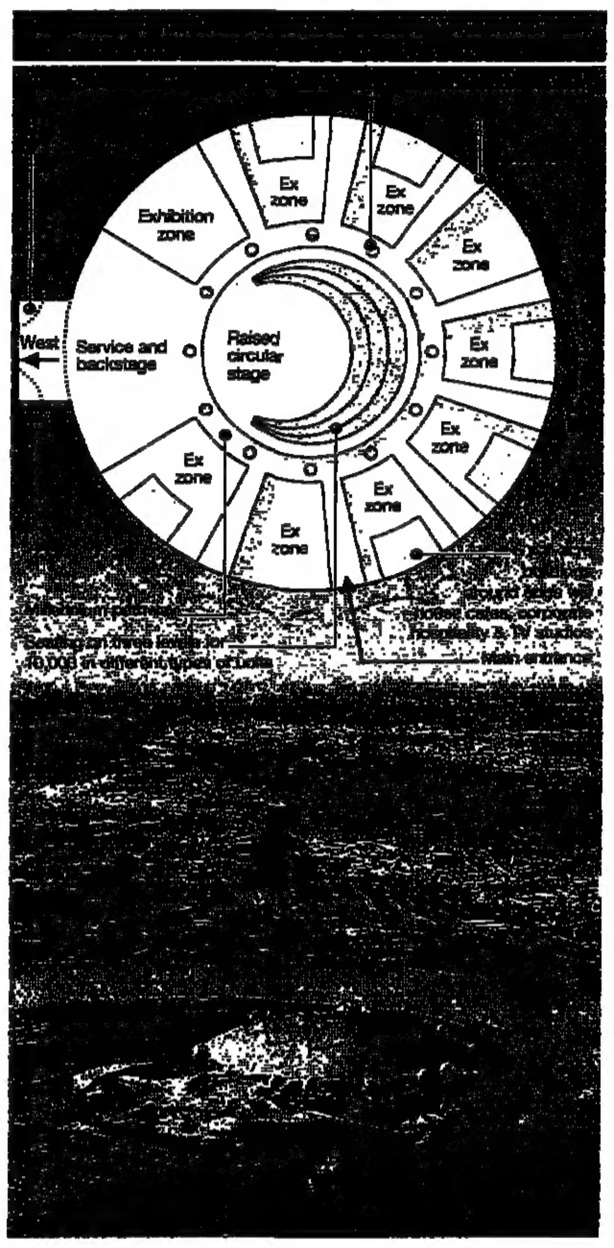

Index group to shun share advice

By Jane Martinson, Investment Correspondent

MSCI, the index measurement company widely used by non-UK based fund managers, has decided to use the old system of valuing FTSE 100 shares, against the advice of the London Stock Exchange.

The decision to ignore the exchange's move to Sets, the new electronic trading system, is seen by some traders as a vote of no confidence in the fledgling pricing method. The exchange's new pricing system, which uses last traded prices to value shares, has been beset by problems since it was introduced in October, despite being welcomed by practitioners.

The problems deepened when J.P. Morgan, the US investment bank, was fined £350,000 ($570,500) by the exchange after two of its traders were fired for trying to manipulate the index.

MSCI decided to continue to use the old system – which values shares on the basis of the middle point between the bid and offer prices – because of the uncertainty. Jeanette Cissé, editor of MSCI Perspective, said: "We wanted to wait and see what happened. We are now very very happy [about the decision] because of the problems."

Extreme volatility prompted the exchange to revise 11 share prices – some of them significantly – at the all-important last day of the year's trading. The official closing value of the FTSE 100 index is used by fund managers and pension fund trustees for evaluation of annual investment performance. FTSE International, which is jointly owned by the Financial Times and the exchange, has adopted the new method and used the last traded price for the index and individual shares.

The exchange said that while it had advised its own members to use the new system for the year-end prices, it had no jurisdiction over others. Tim Bredon, a director of Legal and General Investments, said the decision by MSCI was "adding to the existing confusion that you get when the convention disappears".

His company, the UK's second largest index tracking group, has adopted the new system but he said: "At the moment there is less confidence in the last traded price than one would like."

US and European fund managers, which tend to hold shares in the larger companies affected by the changes, are typical MSCI customers.

London stocks, Page 34

College in radical property venture

Contract at London University increases risks and rewards for investors

By Norma Cohen, Property Correspondent

A group of US and UK investors have struck a £100m ($163m) deal with Kings College, London, to build, manage and redevelop the college's properties in a private finance initiative scheme which allows the college to profit as well. The college is part of London University; the PFI is intended to attract private funding to public projects.

Unlike other PFI schemes, the deal carries no government guarantee of rental income and poses greater risks – but offers greater potential rewards – for the developers.

The deal is a blueprint for the use of PFI-type arrangements for companies wishing to extract more value from their extensive property assets. Few UK companies have attempted to exploit the latent value of their property holdings by selling and developing them. US backers of the Kings College deal are Bankers Trust and Pelham Partners, a UK real estate fund financed largely by US-based Apollo Real Estate Investment Advisers. European Land & Property Corp, the vehicle of UK property developer Godfrey Bradman, is the UK partner overseeing the development.

The properties include Kings College's United Medical & Dental Schools at Guy's Hospital and St Thomas' Hospital in central London.

Under the contract, the developers will build, own and operate a new 210,000 square foot building next to Guy's Hospital and redevelop a 390,000 square foot building next to St Thomas' Hospital.

Costs of the construction are estimated at £170m and the developers will earn a rent which covers the costs of operating the buildings – including cleaning, air conditioning, security and maintenance. Kings College will sign 20-year leases on the premises.

Bouygues, the French construction company, has been awarded a construction contract and its facilities management division will provide the building services.

Once the buildings are constructed, the medical schools will be able to vacate three buildings in prime residential areas. The buildings include two contiguous structures incorporating a building of historic interest and a site in a conservation area.

Terms of the agreement allow the developers to recoup the costs of construction and achieve a pre-agreed return on capital before the college has a chance to share in the profit.

Property, Page 25

Banker to head N Ireland development unit

By John Murray Brown in Dublin

Alan Gillespie, managing director of Goldman Sachs International in London, has been made chairman of the Northern Ireland Industrial Development Board.

Mr Gillespie, who will keep his banking job, was named by a magazine this week as last year's third most successful dealmaker in the City of London, with business worth £11.5bn ($18.7bn).

Such sums rather dwarf his responsibilities heading the Northern Ireland investment authority, which has a budget of around £100m. But the appointment of an eminent investment banker is a big catch for the IDB when competition is growing among UK development agencies and with the Irish Republic's investment authorities.

Mr Gillespie, unlike many people of his generation from Northern Ireland, has retained strong links with the region. He heads the City offshoot of the Northern Ireland Partnership – a private sector initiative aimed at encouraging greater links between companies.

In 1995-96, the government budget allocation for Northern Ireland worked out at £5,140 per head against £4,600 for Scotland, £4,350 for Wales and £3,740 for England. Mr Gillespie expects that Northern Ireland will continue to receive a larger share than other regions as long as the government has to "underwrite the peace process".

● A number of people were arrested in a "loyalist" area of Belfast, the region's principal city, yesterday and questioned in connection with what police called "serious crime". It is believed they were questioned about the murder of a Roman Catholic in a bar on December 31. The shooting was claimed by the Loyalist Volunteer Force as retaliation for the murder of their leader Billy Wright in the Maze prison. The force is a group of anti-nationalists which rejects the ceasefire operated since 1994 by most "loyalist" paramilitaries.

Philip Stephens, Page 18

UK NEWS DIGEST

Steel output at 8-year record

Britain's steel output rose 2.8 per cent last year to 18.8m tonnes, the highest level since 1989, according to figures published yesterday by the Iron and Steel Statistics Bureau, a research company. The privatised British Steel – which accounts for more than 80 per cent of UK production – and other producers boosted output to try to take advantage of a recovery in EU demand, particularly for sheet steel. But the strength of the pound squeezed British producers' margins, so the increases in sales were not reflected in profit increases. Ian Rodgers, of UK Steel, the industry's representative organisation, said: "The mills operated at good capacity but profits were not as high as we would have liked." British Steel, which produced 16.1m tonnes of crude steel last year at its main wholly-owned UK plants said output reached its highest levels since the 1970s.

● The monetary policy committee of the Bank of England yesterday left base rates unchanged at 7.25 per cent, despite mounting evidence of above-trend growth in the service economy. The latest sign of strong economic activity came from the Confederation of British Industry's distributive trades survey. The CBI, the biggest employers' lobby, said 54 per cent of retailers had reported rising volumes of sales in December, compared to 19 per cent reporting falling sales, leaving a positive balance of 35 per cent. In November the balance was 23 per cent. Yesterday's CBI survey showed expectations of January sales remain extremely strong with a positive balance of 40 per cent, the highest level since May. Kate Barker, chief economic adviser of the CBI, predicted that retail sales would slow this year. She welcomed the committee's decision to leave rates unchanged. *Stefan Wagstyl, London*

■ AIRPORTS

Birmingham records busiest year

Birmingham airport, the fourth biggest in Britain, reported its busiest year in 1997, as the number of passengers grew by 10.2 per cent. The airport, in the English Midlands, recorded 6.03m passengers – two-thirds of whom travelled on scheduled flights. The increase coincides with the beginning of the airport's £260m ($423.8m) expansion programme, including a doubling of capacity at its main terminal. The airport was partially privatised last year, when municipal authorities sold a 40 per cent stake to Aer Rianta, the Irish airports operator, and NatWest Equity Partners, the venture capital arm of NatWest Group. *Richard Wolffe, Birmingham*

■ RAIL PRIVATISATION

Train operator places $21m order

Central Trains, one of the five train operating franchises owned by the National Express bus group, plans to buy 13 two-car trains costing about £13m ($21m), with options for a further 50 cars worth about £25m. Central, which runs services in the English Midlands and Wales, needs the trains to cope with an 11 per cent rise in passenger numbers over the past year and to introduce new services when competition rules on the privatised railway network are eased in 1999. Central has invited bids to deliver the trains by the spring of 1999. Adtranz, the international rolling stock manufacturer, is thought to be in a strong position. *Charles Batchelor*

■ YACHTING

Biggest catamaran to be unveiled

Pete Goss, the British skipper who rescued a fellow competitor in last year's solo Vendée Globe race, will today announce construction of the world's biggest catamaran to compete in the Disney-backed circumnavigation named The Race. The new boat will be about 35m long with a beam of 17m, making it bigger than a tennis court. The most radical feature will be its twin rotating masts. These will break up the massive sail area into two units of 350 sq m. Entries to the race will be limited to the 10 fastest sailboats in the world. There is a $1m first prize provided by Disney and the French government's Millennium Commission. The concept was created by French sailor Bruno Peyron. The record for a circumnavigation under sail is 71 days, but The Race organisers expect a minimum of 12 days to be clipped off this time. *Keith Wheatley*

■ MERGERS AND ACQUISITIONS

Law firm fees reach record levels

Legal fees for UK public takeovers reached record levels last year following a 39 per cent increase in the number of deals, according to Acquisitions Monthly magazine. The top 10 law firms were involved in 190 deals worth £106.9bn ($174.2bn), compared with 137 deals worth £88.4bn in 1996. The value of the deals in 1997 was still below the 1995 level, however. For the first time, a US firm appeared in the league table. Skadden Arps Slate Meagher & Flom was ranked 12th for its work on five UK public deals worth a combined £3.6bn. The magazine ranks law firms by the value of the deals in which they acted as advisers either to companies or to their banks. *Robert Rice*

Legal advisers: UK public takeovers in 1997

Law Firm	No. of deals	Value (£m)
1 Slaughter and May	32	19,571
2 Allen & Overy	12	12,195
3 Linklaters	33	11,914
4 Freshfields	30	11,543
5 Norton Rose	20	11,221
6 S J Berwin	7	10,094
7 Theodore Goddard	5	9,930
8 Herbert Smith	16	7,493
9 Ashurst Morris Crisp	21	7,490
10 Clifford Chance	14	5,476

Ranked by value of transactions based on completed and failed offers for UK public companies. Source: Acquisitions Monthly.

Tractor sales set for further drop

Tractor sales in the UK, the biggest tractor-making nation in Europe, are this year projected to show a further sharp drop, Peter Marsh writes. About 85 per cent of the tractors made in Britain, worth about £2bn ($3.26bn) a year at retail prices, are for export.

Last year UK sales of agricultural tractors of 40hp or more fell 18 per cent to 15,272 compared with 1996, according to figures from the Agricultural Equipment Association. This year sales are expected to fall to between 14,000 and 14,500.

Demand from UK farmers has been hit by the strong pound and declining incomes. This has worried the industry but the three big tractor makers in the UK last year maintained production at roughly the 1996 level of 70,000.

The big three makers – New Holland of Italy and Agco and Case of the US – say they are fairly confident of keeping total volumes at similar levels this year, mainly due to the strength of demand from mainland Europe and north America. These three companies make about 98 per cent of the tractors produced in Britain.

Auto component suppliers fail to keep pace

John Griffiths finds manufacturers looking overseas as the appreciation of sterling takes its toll

The UK motor components industry is threatened with the loss of orders because of last year's surge in sterling and the inability of many suppliers to counteract it with greater productivity.

General Motors and Rover Group, owned by BMW of Germany, are among UK-based carmakers considering placing big new orders outside the UK.

Nissan has warned that although UK suppliers' contracts with its English car factory were secure, their prospects of supplying parts for models destined for production at its plant in Spain were diminishing.

The developments represent "a very serious warning shot across the bows of the UK components industry", said Professor Garel Rhys of Cardiff Business School, a motor industry expert.

Prospects of UK-based suppliers to Toyota's English car factory winning orders for the company's planned small plant in France are also receding.

Ford, which spends £2.4bn ($3.9bn) annually on UK supplies, was alone yesterday in saying it had no urgent plans to place more orders outside the UK. But it, too, is concerned that the strength of sterling is more long-term than a "blip".

UK-supplied components have become "significantly" more expensive than identical parts in mainland Europe. General Motors will seek price cuts or a switch to suppliers outside the UK in pursuit of savings which could amount to "hundreds of dollars per car", according to Lou Hughes, president of GM's international operations. These include Vauxhall in the UK and Opel in mainland Europe.

Currency "hedging" by Rover, the UK's biggest vehicle maker, is expected to leave the company relatively insulated from sterling's rise until mid-year. "But as our cover runs out there will be a very significant adverse impact on the business," said Ian Strachan, corporate communications director. "We are seriously looking at buying outside the UK."

Contracts for engineered or body components designed for a specific model are not readily replicated. But tyres, batteries, lighting equipment and other more "standard" items can be resourced with very little difficulty.

The biggest danger to UK suppliers is the risk of exclusion from important new model production programmes being drawn up by the big UK-based carmakers. Ford, Rover, Vauxhall and Nissan all have big new model plans for their UK plants and are drawing up supply and production strategies.

Mr Strachan said: "We would be very reluctant to drop any of our existing core suppliers from these programmes. However, with it now looking like sterling could stay at similar levels, we have no choice but to start examining the long-term alternatives."

The developments showed that "myth has run ahead of reality" in terms of the progress made by the UK components industry in cutting costs and improving productivity, Prof Rhys said. Many companies claiming to be lean and world-class were being shown to have been merely the beneficiaries of sterling's devaluation after leaving the European exchange rate mechanism, he added.

While some big UK components companies had become world competitive, many more made up "a tail of mediocrity far too long for the good of the economy", he said.

RECRUITMENT

Richard Donkin assesses the trends that are likely to grow in prominence

Year of the knowledge worker

The turn of the year is an artificial event when assessing trends, but it does allow a pause for reflection on what has passed and what the future may hold.

My own desire for crystal ball gazing was prompted by some reading over the Christmas break of Sir Arthur C. Clark's *3001 The Final Odyssey* which explores, among other things, the possible technologies 1,000 years on, seen through the eyes of Frank Poole, a 21st century astronaut who has been revived after a prolonged hibernation in space.

Much is familiar. Information is stored on tablets, not unlike computer diskettes, with a capacity of 10 to the 15th bytes – Sir Arthur calls it a petabyte – sufficient to store anything that a person could experience in a lifetime. As he puts it: "The kilogram of jelly inside the human skull was not much larger than the tablet Poole was holding in his hand and it could not possibly be as efficient a storage device – it had so many other duties to deal with."

The implications of continually improving forms of information storage and retrieval should not be lost on companies grappling with the realisation that the book value of their fixed assets is in many cases shrinking in proportion to their overall market value. This is because their value is, increasingly, measured in their ability to exploit knowledge.

Geoff Armstrong, director-general of the Institute of Personnel and Development, believes this ability to manage knowledge and to foster continuous learning is going to be a key differentiator of successful companies in the coming year. The way that companies will meet such challenges is less certain. Peter Drucker, the management writer, first outlined the concept of knowledge workers nearly 40 years ago, yet companies and their managements are still trying to come to terms with the idea. For years manufacturers persisted with Taylorist principles that treated workers as machines until the ideas of self-managed teams began to percolate through to the factory floor.

Such developments, argues Mr Armstrong, have been aided by the disciplines of personnel management which, he says, are growing more important to companies' competitiveness. Recent IPD research, he points out, has suggested that good human resource management practices benefit company performance more than investment in research and development and use of new technology.

The problem for organisations such as the IPD, as the research revealed, is that companies have been slow to realise the connection between people management and company performance.

Where personnel disciplines do seem to have been concentrated in the past year or two is in the creation of new pay structures. One trend has been towards rewarding people for input and potential input that stresses the acquisition and possession of skills, rather than on raw output. While this may continue, the mixed success of some schemes may deter some companies from tinkering further with pay. Many companies have also continued to experiment with performance-related pay but the hostility against such measures among bank workers, in particular, might cause some managements to think carefully about the way they introduce such systems.

While executive pay differentials have continued to grow in the past year, trends in the US towards encouraging greater equity ownership among senior executives may find growing support in European companies.

Mr Armstrong also detects a move away from precise job evaluations based on defined job descriptions towards broad banding and flexibility which recognises the rapid changes in the way some jobs are undertaken. "Organisations are beginning to shape jobs to people rather than expect people to fit into standardised jobs," he says.

The recruitment industry itself has registered strong growth in 1997. Headhunting has become a $7bn industry worldwide and the success of quoted companies such as Robert Walters Associates in the UK may prompt other growing companies to come to the market.

Two sectors to watch in the coming year are those of outplacement and interim management.

There would seem to be a natural relationship between companies that help redundant executives find new work and those that look for likely candidates for short-term assignments.

Whether there will be any fusion of such businesses is debatable and may depend on whether companies continue to persist with slimming down exercises providing each with a body of recruits.

Spending abroad

You have just been offered a job move abroad, but how can you tell if you are getting a good deal financially? One consideration is the relative costs of home country spending and those in the country of assignment.

ECA International, the pay and benefits consultancy, has provided the statistics for the annual table, above, which shows how much it would cost various nationals to keep up their home country spending patterns in consumer goods.

A British national, for example, earns £48,430 ($78,940) in the UK (gross salary in the home country is based on a middle management position), where he or she spends £12,610 on consumer goods and services. In the US they would spend £13,500 ($22,000) to maintain the same level of consumption.

Hong Kong managers are competing with those in Singapore for the top position in the purchasing power table. Barry Rodin, chief economist at ECA, says this reflects the intensity of competition between Hong Kong and Singapore for skilled and qualified labour.

One point to note is that the calculations assume that expatriates shop less cost-effectively than the locals.

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Living abroad: comparing the cost

Cost (£) of keeping up home pattern of family spending on consumer goods and services
Exchange rate: December 1997, Gross salary in home country based on middle management position.

Home Country Nationality	Gross salary in home country	UK	US	Switzerland	Neth	Germany	France	Australia	Hong Kong	Singapore	South Africa
British	48,430	12,610	13,500	20,281	13,114	15,016	15,132	12,275	17,265	14,898	8,519
American	59,371	18,455	13,127	23,831	17,068	18,625	18,978	14,180	20,980	16,549	10,550
Swiss	85,128	19,331	17,770	22,184	16,785	19,020	19,127	16,072	23,489	19,513	11,341
Dutch	47,204	11,820	11,347	16,445	9,769	12,251	12,351	10,141	14,606	12,540	7,164
German	60,939	14,140	13,126	18,915	12,561	12,987	14,432	11,840	17,530	14,852	8,676
French	47,756	15,485	13,958	20,802	13,792	15,438	14,180	12,564	18,468	15,434	8,837
Australian	37,170	13,747	11,747	17,531	12,124	13,378	13,517	10,074	15,944	15,632	7,694
Hong Kong	63,515	20,365	19,672	29,296	18,650	21,350	21,177	17,094	19,197	18,695	11,293
Singaporean	50,016	20,710	18,783	28,429	19,082	21,506	21,171	16,689	22,741	14,943	10,974
South African	25,747	11,421	10,198	15,323	10,249	11,534	11,586	9,311	13,585	11,314	6,632

Source ECA

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- 5 years overall experience in developing programs linked to financial market databases
- a strong knowledge of time series database management products, preferably FAME
- a good knowledge of Windows/NT, HP-UNIX (shell script programming), C
- good communication and analytical skills as well as good interpersonal skills,
- fluent written and spoken English and a good command of one other major language

Also desirable:
- knowledge of Intranet/Internet and Web technologies, as well as of Sybase or other relational or object-relational databases
- prior experience in a financial institution or data supplier organisation

The BIS offers attractive conditions of employment in an international atmosphere and excellent welfare benefits.

Candidates should send their application, together with references, to Human Resources, Bank for International Settlements, 4002 Basle, Switzerland quoting the reference number 97412.

DIRECTOR OF PERFORMANCE MEASUREMENT

NPI ASSET MANAGEMENT

LONDON — **c.£60,000 + SUBSTANTIAL BENEFITS**

- NPI Asset Management is the investment management arm of NPI, a retirement related financial services specialist. Total funds under management are approximately £11 billion.
- NPI Asset Management has a well-defined strategy to deliver competitive investment performance to NPI whilst developing institutional business both within the UK and overseas.
- The *Director of Performance Measurement* is a new and high profile role with responsibility for developing and establishing a strong performance and attribution function.
- You will, using the latest available tools and techniques, lead a performance measurement team responsible for producing performance information for all funds, analysing the attribution reports and communicate the effectiveness of performance management strategy across the organisation.
- Graduate with at least three years experience of performance measurement, you will have a good knowledge in investment products and industry reporting standards. An excellent communicator with highly developed interpersonal abilities, you will have the credibility to work effectively with fund managers.
- Highly numerate, your IT skills will be supplemented by a familiarity with a range of performance packages/systems.

NPI

Please apply in writing quoting reference 1558
with full career and salary details to:
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Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
www.whiteheadselection.co.uk

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Mauritius
Investment Management

Our client is a prestigious global fund management group with significant funds under management on behalf of an international client base. They have recently established a joint venture with two major financial partners in Mauritius.

An exceptional opportunity has arisen for an individual to work for the joint venture in Mauritius, and establish local investment management expertise for international and local institutional funds investing in stocks quoted on the Mauritius Stock Exchange. He/she will also advise local clients on their international investments, working closely with the Group's other offices worldwide.

A comprehensive induction in the parent company's global investment philosophy and processes will be provided and it is anticipated that this person will assume full investment responsibility in Mauritius in the near to medium term.

Candidates are likely to be aged in their 20's or early 30's and will have Mauritian nationality or a family background in the country. They will be well educated with at least 3 years work experience in a financial environment. Direct experience of fund management is preferable, but not essential.

To apply please send your C.V. (including details of your current salary package), quoting reference 1398 to Andrew Thompson at FLA Limited, 211 Piccadilly, London, W1V 9LD. Tel: 0171 917 2930. Fax: 0171 917 2932.

FLA
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Due to retirement, they need to recruit an individual capable of leading their West of Scotland operation which is the largest and most profitable of the area units reporting to the Director, Scotland. Your main responsibilities will be to maintain this high calibre client portfolio whilst actively developing and expanding other business streams to maximise the organisation's activities and profile in the marketplace; lead and direct a team of corporate banking professionals operating in highly competitive and challenging market conditions; and finally you will have total autonomy for 7 figure risk control and management. Achieving bottom line growth is imperative for success in this role.

ACIBS/ACIB, ideally with a business degree, the successful candidate will be able to demonstrate results and success in achieving business development through corporate banking services at a senior level. Preferably with strong Scottish connections, you will have managed and developed a quality portfolio of clients in the UK or abroad and are likely to be a senior manager, possibly No.2/3 seeking the opportunity to be No.1, in a leading banking organisation. With sound knowledge of modern IT banking systems you must possess strong risk and general/people management skills and have an excellent track record of client relationship management and development.

The remuneration package reflects the level of expertise required and includes up to 18% bonus, profit sharing, excellent pension, quality car etc.

To apply, send career details, including salary requirements to Soraya Fenton, as advisor to the company, at MacDonald Kinnaird.

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RWF House, 5 Renfield Street, Glasgow G2 5EZ.

European Investment Bank
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The **EIB**, the financing institution of the European Union, is currently seeking for appointment to its Legal Directorate at its headquarters in **Luxembourg** a (m/f)

Financial Lawyer

Duties: Working within a specialised unit handling the legal aspects of the Bank's financial activities, he/she will be required to provide legal assistance to the Finance Directorate. As well as assuming advisory, research and support responsibilities in the financial field (in respect of borrowings, public issues, derivatives, etc.), he/she will maintain relations with national authorities and other financial institutions.

Qualifications: Degree in Law, preferably specialised in banking and financial law (i.e. with a bias towards legal matters other than those solely falling within the scope of Common Law/US Law).

Proven operational experience in a similar legal position within a bank, financial institution or firm of lawyers involving a hands-on approach to capital markets (including those of the European Union) and to related financial instruments. Familiarity with EDP tools and ability to work under pressure.

Languages: Excellent command of **English** or **French** and sound grasp of the other. Knowledge of German would be an advantage.

The EIB offers attractive terms of employment and salary with a wide range of welfare benefits. Applications from women would be particularly welcome.

Applicants, who must be nationals of a member country of the European Union, are invited to send their curriculum vitae, together with a letter and photograph, **quoting the appropriate reference**, to:

EUROPEAN INVESTMENT BANK, RECRUITMENT DIVISION, (Ref.: JU 9801), L-2950 LUXEMBOURG. Fax: +352 4379 2545.

Applications will be treated in the strictest confidence and will not be returned. General information on the EIB can be found on Internet (http://www.eib.org).

FINANCIAL ANALYSTS

EXCELLENT REMUNERATION PACKAGE — **LONDON**

Our client is a leading US real estate research, investment and operating management company, with a corporate strategy to create the optimal organisation to profit from global real estate securitisation. The group owns strategic investments in 14 public and private real estate operating companies, which have a combined market capitalisation of over US$20 billion.

As a result of the group strategy of expanding its international operations, an exciting opportunity has arisen for high-calibre and dynamic Financial Analysts to join a small entrepreneurial team, which is responsible for making investments in public and private real estate operating companies in Europe and Asia.

THE POSITION
- Participate vigorously at all stages of transactions, including deal generation, negotiation, due diligence and execution.
- Apply discounted cashflow and comparable company analysis to support valuation opinions.
- Prepare investment proposals for the Board.
- Work with management of investee companies to develop and refine their investment strategies.
- Participate in business marketing presentations.

THE REQUIREMENTS
- Ideally 1-3 years financial analysis experience with a leading financial institution or consultancy.
- Outstanding academic background, with first-class analytical and problem solving abilities.
- Excellent verbal and written communication skills in at least two relevant languages, including English, and a high degree of computer literacy.
- The ability to work in a high pressure environment for prolonged periods, independently and as part of a team.

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It is vital that you have an understanding of the financial markets, probably with 2 or 3 years under your belt and are confident, bright and enthusiastic. For many of these positions you will need a second European language and you will also be prepared for extensive travel.

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Please send your CV, quoting reference FT/SP1, to: Catriona Henderson, Human Resources, Bloomberg LP, Citygate House, 39-45 Finsbury Square, London EC2A 1PQ or fax to (UK); +44 171 392 6295.

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This new senior position supporting the joint head of sales, trading and organisation for the region will be highly influential in helping to shape the future of this business. Assisted by a small team, you will have specific responsibilities for:
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This is an exceptional opportunity to provide broad based business support and decision making to this strategically important business unit, with operations in Europe, the USA and Asia. Responsible for day-to-day administration of the group you will also advise the senior management team on strategic business issues. This will include infrastructure issues, risk considerations, management information requirements and new business implementation.

Both of these roles offer challenging and demanding work within a fast paced environment. A thorough understanding of financial markets is essential, with the London role requiring expertise in Fixed Income and Derivative products. A knowledge of the fiscal and regulatory issues affecting booking decisions in different geographical regions would be an advantage. Relevant experience is most likely to have been gained from working in a middle office environment. Successful candidates will have a high level of influencing, negotiation and communication skills as well as project management and strategic planning experience. Interested US citizens should be aware that flexibility in contractual arrangements will be considered.

Interested applicants should contact either **Matthew Maslin** in Hong Kong as soon as possible on +852 2525 7808, fax +852 2525 7768 or write enclosing your Curriculum Vitae to **Robert Walters Associates, 21st Floor, Jardine House, One Connaught Place, Central Hong Kong**, or **Catherine di Mambro** in London on +44 171 379 3333, fax +44 171 915 8714 or write to **10 Bedford Street, London WC2E 9HE**, or **Narelle Fox** in New York on +1 212 704 9900, fax +1 212 704 4312 or write to **1500 Broadway, Suite 1801, New York NY 10036 USA.**

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Strategic Business Manager

SECURITIES SERVICES — **City Based, Highly Competitive Package**

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Major Responsibilities:
- Drive key initiatives on behalf of the Managing Director.
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- Liaise with Global Custody and Wholesale Custody Product Management.
- Manage the Custody support team of eight people.
- Co-ordinate and manage emergent projects as necessary.
- Supervise production of monthly management information.

Key Requirements:
- Excellent communication and interpersonal skills.
- Strong analytical abilities and PC literacy (MBA or professional qualification desirable).
- Experience in project and change management in a blue-chip environment, preferably within the securities industry, but candidates working in a large corporate would also be of interest.
- Proven people management skills combined with expertise in one of the following areas: relationship and network management, corporate treasury, operations, middle office or project management/business process re-engineering.

BBM SELECTION

Candidates with the required skills, drive and desire to succeed in this challenging, business-facing role should send a full CV and covering letter, quoting reference: 471, to our Managing Consultant Neil Eije at BBM Associates, 78 Watling Street, London EC4M 9BJ. Tel: 0171-248 3653. Fax: 0171-248 2814. E-mail: 471@bbm.co.uk

CITIBANK®

Manager - Information Technology
Kuwait

Our client, a prestigious member of the banking industry, wishes to recruit a Manager for a new Information Technology Department (ITD) that is being set up in the Bank. The main responsibilities of the Manager – ITD, who will act as the Bank's Chief Information Officer, will be:
- *to set up and manage the operations of the new Department*
- *to help the Bank use technology and information as strategic enablers and help it realise the benefits of the most appropriate technology*
- *to develop and implement an IT strategy*
- *to provide leadership and guidance in the development of a common banking technology blueprint for the Industry.*

The ideal candidate for this challenging position will meet the following criteria:
- *a graduate with an MBA qualification*
- *strategic thinker with leadership and management skills*
- *12 to 15 years of professional experience, including a few years in a banking environment, preferably as a Chief Information Officer*
- *strong background in Information Technology, especially in IT strategy and IT-led Business Process Innovation. Preference will be given to candidates who have developed IT Strategies for Banks and are familiar with the latest innovations in banking technology.*

The Bank offers an attractive expatriate remuneration package, commensurate with background and experience.

Interested candidates should submit their detailed CVs along with two passport size photographs and photocopy of passport quoting reference MIT/97FT on the envelope, within four weeks to Varun Dev Sharma, Director – Recruitment and Human Resources, Ernst & Young, P.O. Box 74, 13001 Safat, Kuwait. ***Only shortlisted candidates will be contacted.***

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A FINANCIAL ANALYST

The candidate should ideally:

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- have a good knowledge about financial market
- be fluent in English, French and German
- enjoy teamwork
- be Swiss or have a valid work permit
- be aged 30-35

We offer:

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Hand-written applications, along with a complete curriculum vitae, job certificates and a recent photograph, should be forwarded under confidential cover to MM. Pictet & Cie, PO Box 5130, 1211 Geneva 11, Switzerland, and marked to the attention of the Head of Personnel.

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The appointed candidate will have full accountability, within broad guidelines, for the UK fixed income portfolio, comprising gilts and other sterling denominated instruments. He/she will work closely with European-based colleagues managing global and European bond portfolios. The appointee will play an important role in asset allocation and portfolio strategy, providing high quality analysis of fixed income markets.

Aged at least in their early thirties, candidates will have a minimum of seven years' relevant experience in fixed income fund management, including cash management and dealing. A strong track record, particularly in gilts, is essential. We will be looking for an analytical approach, intellectual rigour and numeracy. Independence of thought must be complemented by a team oriented style.

This is a rare opportunity to join a first class team as it builds a substantial business out of the UK. In addition to a competitive base salary, the remuneration package will include a potentially substantial performance related bonus and the usual benefits.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 98101L on both letter and envelope, and including details or current remuneration.

GKRS

OLD LONDON HOUSE, 32 ST JAMES'S SQUARE, LONDON SW1Y 4JR.
TEL: 0171 930 5100. FAX: 0171 839 1229.
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EMERGING MARKETS TRADERS

Cargill is a diversified multinational company. One of the world's largest privately-held companies, we employ approximately 79,000 people in 72 countries, in 1,000 different locations. Cargill has offices throughout North and South America, Western and Central Europe, the Former Soviet Union, and Africa. Our European headquarters are located in Cobham, Surrey, U.K.

CARGILL

The Financial Markets Group (FMG) focuses on proprietary trading. With more than 20 offices worldwide, we have built a reputation for innovation, success and profitability. FMG is engaged in various proprietary financial trading and investment activities worldwide.

We have opportunities for ambitious traders capable of longer term progression to management. You should have a university degree and more than two years work experience in emerging markets.

Entrepreneurial flair, relevant language skills and flexibility are necessary qualities. Geographical mobility is expected.

OPPORTUNITIES EXIST, INITIALLY BASED IN THE UK, WITH EVENTUAL RELOCATION TO:
Egypt, Kazakhstan, Kenya, Morocco, Poland, Romania, South Africa, Switzerland, Turkey, Ukraine and Uzbekistan.

FOR THE FOLLOWING ACTIVITIES:
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We are also seeking Financial Controllers for the above locations.

Please send your CV to: Farn Williams, Vineyard House, 13-15 Vine Hill, London. EC1R 5FW Fax: (44) 171 837 0001, quoting Ref: 0987

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PARIS

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- *best practices: we are constantly seeking to benchmark our clients and our own performances : you will need to search out and implement best practice within Deloitte & Touche world-wide and beyond.*

The Requirements

- *Record of success with a leading accountancy firm,*
- *ability to think strategically to create and implement business solutions,*
- *excellent academic background: first time ACA/CPA passes and/or MBA.*
- *Initially only limited French language skills are required but will need to demonstrate the intention to improve.*
- *International outlook with demonstrated ability to work with and manage people of different cultures and backgrounds,*
- *experience of international and US GAAP essential.*

We provide highly competitive salary and benefits packages. Career prospects within our dynamic and service focused firm are excellent. A wide variety of world-wide career opportunities exist for outstanding individuals.
Interested applicants should fax their CV's in either English or French to Frederic Moulin quoting reference FT/0701 on 33 1 40 88 28 28 or write to him at Deloitte & Touche, 185 av. Charles-de-Gaulle, 92201 Neuilly Cedex, France.
Interviews will be held in London and Paris in February 1998.

Deloitte & Touche

EUROPEAN ACCOUNT DIRECTORS

Technimetrics

Technimetrics, Inc. is the leading provider of global shareholding and fund management data to the banking and stockbroking community worldwide. With offices in London, Tokyo, Amsterdam, Sydney, Sao Paulo and New York, we offer the most comprehensive and accurate financial data available.

To continue to meet the demands of our success, we are expanding our international operation. We now have opportunities for high calibre experienced sales professionals to join our London office. and be at the forefront of marketing our services in both the U.K. and Continental Europe.

Candidates will have a strong sales background and ideally a good understanding of capital markets. Excellent presentation and communication skills are essential. Language skills desirable.

We offer a highly attractive compensation and benefits package. For prompt, confidential consideration, send your CV with covering letter to:

Technimetrics, Inc.
110 St. Martin's Lane
London WC2N 4AZ
Ref: Personnel Dept., Inst.

COUNTRY MANAGER

Central Asia/Ukraine

One of the most prominent global financial institutions, Bank of America is pursuing a strategy of selective investment and expansion in Russia and the CIS, including Central Asia and Ukraine.

The position of Country Manager Central Asia/Ukraine, based initially in Moscow, has been created to spearhead the development of the Bank's market presence in the region, particularly Kazakhstan, Uzbekistan, Ukraine and Azerbaijan. The incumbent will develop and manage relationships with financial institutions, corporations and governmental entities, with a focus on cross-border capital raising, trade finance and correspondent banking.

Educated in the West or with significant training from a Western multi-national, qualified applicants will have a successful business origination track record involving investment and commercial banking products with on-the-ground experience in Central Asia or Ukraine.

The successful candidate, probably now located in Russia, Central Asia or Ukraine, will be fluent in English with ability in Russian and other relevant regional languages.

The Bank offers excellent career prospects and an attractive compensation package.

Please apply, preferably by fax, with your employment history, including current compensation details, and contact telephone number to David Lingelbach, Country Manager Russia and the CIS, Bank of America Moscow Representative Office, Krasnopresnenskaya Nab 12, 15th Floor, Office 1503a, Moscow 123610, Russia. Fax Number (7) (502) 258 1909. No telephone calls please.

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Financial Times

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Cairo

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***THE CANDIDATE :** You should possess an accounting or business degree and at least 5 years experience within an international company. Candidates must have excellent interpersonal skills and be able to work on their own in a variety of environments. A pro-active self-starter will succeed in this position. Bilingual Arab/English is required.*

Please write to Matthieu BEAURAIN, quoting reference 4058/MBE, at ROBERT HALF FINANCE AND ACCOUNTING, 39 avenue Pierre Ier de Serbie, 75008 PARIS, or by fax at (33) 1 47.23.38 00 or by e-mail (Format MIME or BinHex) arobert@half.grolier.fra. Please consult our web site http://roberthalf.com.

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(Ref: 97055)

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- You will provide the interface with management of subsidiairies both at the level of daily management and solution development.
- You will analyse the markets and competitive situations of the different actors and draw up presentations relating to investment projects, positioning of subsidiaries and reportings.

Your profile:

- You will be educated to university level (master's degree) with business-management orientation or in law, which in the latter case, will be complemented by an MBA.
- To your credit you will have a number of years of professional experience in a media-sector business, investment banking or business-strategy consulting company.
- You will be fluent in English, French and, if possible, German.

The positions are to be filled at the company's head office in Luxembourg.

CLT-UFA is Europe's leading TV and radio Group, with 22 television channels and 22 radio stations in twelve countries. We are also active in production and rights acquisition on international markets.
A pioneer in commercial television and radio, CLT-UFA is currently expanding and seeking expert skills to round out its staff.

Candidates interested in the above position are requested to forward a full CV together with a handwritten application letter quoting the reference 97055, to CLT-UFA, Human Resources Department L-2850 Luxembourg

CLT-UFA. The European Entertainment Enterprise.

ORIGINATION MANAGER, Eastern Europe

Treasury

Our client, an international investment bank, is developing its exposure in Russia and Eastern Europe. It seeks a high quality individual to originate and develop emerging markets business in the region.

Candidates must have the following essential attributes:

- Established relationships with corporations in Russia, Ukraine and Bulgaria and multinationals with business interests in the region
- Minimum of 3 years investment banking experience involving entities and transactions in these countries
- Fluency in Russian, Bulgarian & English are essential and another European language would be an asset
- Relevant degree level qualifications
- Excellent interpersonal skills

Please write enclosing a full cv and contact telephone number to:
Robert Kimbell Consulting, 8 Red Lion Court, London EC4A 3EB

All applications will be treated in the strictest confidence

CAPITAL MARKETS INVESTMENT ADVISORY POSITIONS

Epsilon Investments Limited is an investment and advisory company. We have built up a *strong and defensible niche because of our knowledge and experience within worldwide* capital markets and demand for our services now requires us to add 2-3 more people to our team.

We are looking for motivated.

- Self Starters
- Ability to work in a team
- Ability to present ideas concisely both orally and in writing
- Experience in fixed-income and/or equity markets/emerging markets
- A foreign language (Spanish, Russian, Japanese or Mandarin) would be an advantage, but not essential
- Ability to persuade others

Those who feel that their skills and aptitude match our criteria are encouraged to apply to the Personnel Manager at the address below, enclosing a full CV, and a telephone number where they can be reached in confidence.

Epsilon Investment Limited
International House
1 St. Katharine's Way
London E1 9UN

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STATE STREET SEEKS

AN ASSISTANT PORTFOLIO MANAGER

FOR ITS PARIS OFFICE

The ideal candidate must be a citizen of the European Union and will meet the following criteria:

- Educated with a Major in Finance
- Language skills incorporating French and English
- Strong computer skills
- Bright, dynamic hands on style
- Articulate and confident team player with good interpersonal skills.

POSITION AVAILABLE IMMEDIATELY

Applicants interested in taking up this challenge should forward a curriculum vitae, a recent photograph, desired starting salary in French Francs to the Human Resources Manager (Ref ILP 020198, STATE STREET BANQUE, 25 rue Balzac, 75008 Paris, France)

CEO

Central Asian-American Enterprise Fund

A venture capital fund initially capitalized at 150MM by USAID; offices in Tashkent, Almaty and other Central Asian cities. Invests in small and medium sized companies. Interacts with high level officials. Staff of 80.

We seek a savvy, skilled middle market banker or venture capitalist with management strength. Understanding of the region, working knowledge of *Russian or the languages of the region* and/or experience working in emerging economies preferred. More info on the web at http://www.tiac.net/users/imsurf/

To apply, send CV to: F. Jay Hall, Isaacson, Miller
334 Boylston St, Boston, MA 02116
Fax 617-262-6509; Email: fjh@imsurf.tiac.net

FOREIGN EXCHANGE SALES

Our client, a leading American foreign exchange and interest rate forecasting and money management firm seeks an experienced Account Manager to handle Northern and Eastern European accounts from its Paris office. Candidates should have 2-5 years experience in financial product sales plus strong language abilities (English, French plus a third European language would be ideal). A competitive salary package is offered including a fixed salary plus significant commission income.

To apply please contact Louise Gore at Sequoia Consulting Limited, Bradstock House, 52/53 Russell Square, London WC1B 4HP. Tel: 0171 580 2553, Fax 0171 530 2771, email: sequoia@sequoia.ftech.co.uk

SEQUOIA

WORLD ECONOMIC FORUM

Head, Global Growth Companies (GGC)

The *World Economic Forum* is today the foremost international membership organisation integrating leaders from business, government, academia and the media into a partnership committed to improving the state of the world. The core community of the *World Economic Forum* are the 1000 foremost global companies representing a total turnover which exceeds US$4500 billion.

The *World Economic Forum* believes that the future of the world economy is increasingly determined by rapidly growing entrepreneurial companies relying on global networking as a key success factor. For this reason it has created a membership category for Global Growth Companies (GGC).

We are now looking for a head of the GGC initiative. The successful candidate will have full strategic and operational responsibility to expand this second tier of membership and make it a truly global constituency.

Candidates must have the following background, experience and personal profiles:

- several years of international work experience in industry; ideally in a corporate membership organisation or a management consultancy with functional responsibility for strategic development and/or marketing
- solid academic education from a recognised university
- strong analytical and conceptual skills; the ability to transform a vision into a concept and implement it
- self-motivated, entrepreneurial, organised and flexible; not afraid of operational/administrative details and of working under pressure
- a true communicator who can represent the Foundation at the highest levels
- highly interested in and familiar with latest developments in communication technology; a keen user of office software such as Windows 95, Word, Excel and Lotus Notes
- able and willing to work as part of a team in a multicultural environment; at ease within a lean organisation operating under a flat hierarchical system of management
- fluency in English and a good knowledge of French.

The successful candidate will take over a position of high strategic, operational and financial relevance to our Foundation. We are therefore looking for a truly global executive willing to spend about 30-40 percent of his/her time travelling.

The workplace will be Geneva, Switzerland. We offer attractive working conditions in the framework of an international organisation. Only if your background and experience fully correspond with the requirements, please send a cover letter marked "confidential", outlining how you can best contribute to the project, with a one-page curriculum vitae to the address below. We will respond immediately to candidates of interest.

World Economic Forum
Thomas Scherer
53 chemin des Hauts-Crêts,
1223 COLOGNY/GENEVA
Switzerland

ACCOUNTANCY APPOINTMENTS

SENIOR MANAGER

EXPATRIATE TAX AND BUSINESS DEVELOPMENT

NEUCHATEL, SWITZERLAND — SUBSTANTIAL PACKAGE (+ PROFIT SHARING IN THE MEDIUM TERM)

Sigma Management Services is a market leader providing fiscal and administrative support to high earning expatriate clients working throughout Europe, the Middle and Far East and Australasia.

Established in 1990 we have grown rapidly, currently turning over SFr 35 million annually and advising over 250 individuals in 25 countries. We are planning further expansion and require a dynamic, creative and commercially minded individual to play a key role in the continued development of our business.

With two distinct functions you will be responsible for overseeing the administration of the tax and financial affairs of our clients and will play an active part in business development and marketing.

Able to work effectively as part of a small close-knit team, it is likely that you will possess some, if not all, of the following:

- a keen eye for detail and an aptitude for figures
- a structured working style with the ability to set priorities and meet deadlines
- excellent written and oral communication skills
- initiative, flexibility and tenacity
- a lateral approach to problem solving
- computer literacy, to include spreadsheet and word processing packages

In addition you will probably have a professional qualification (eg ACA, tax specialist or MBA) and some understanding of personal and expatriate taxation.

This is a permanent position to be based in Switzerland for an individual who wants to make a greater impact on their working environment than currently possible. The person chosen to fill this new post will have the determination and ability to take on a director-level appointment within two years.

To be considered for this position please send a covering letter and Curriculum Vitae, including current remuneration, to our advising consultant Jeromy Bird at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Tel: 0171 379 3333 Fax: 0171 915 8714. E-mail: jeromy.bird@robertwalters.com

All applications will be treated in the strictest confidence.

ROBERT WALTERS ASSOCIATES

http://www.robertwalters.com

LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

SARA LEE | D•E

SENIOR BUSINESS AUDITOR

AMSTERDAM/BARCELONA — EXCELLENT PACKAGE

Sara Lee/DE (SL/DE) is an international manufacturer and marketer of consumer goods, and forms part of the Sara Lee Corporation, USA. Headquarters in the Netherlands, SL/DE consists of the Coffee, Grocery, Household and Body Care divisions, and Direct Selling activities. To support their innovative and successful business strategy we are now seeking to recruit ambitious Senior Business Auditors, who will report directly to the Vice President Corporate Business Audit and will be based either in Barcelona or near Amsterdam.

Your main responsibilities will be:

- business risk assessment
- analysis of business and financial processes
- analysis of target setting and performance measuring processes
- appraisal of reporting and business controls
- reviewing and improving policies and procedures
- due-diligence reviews and acquisition reports
- liaising with senior financial and operational management

The successful candidate will be a qualified ACA/CFA/MBA/RA/RC with five to seven years relevant experience gained working in a (US) multinational, preferably in the FMCG industry and/or the Big Four. Strong presentation, analytical and communication skills in combination with leadership, drive for results and a 'birds-eye view' are essential for this high profile role. The candidate will be effective in managing projects, balancing good team work, and will have a strong client focus. The business language is English but fluency in more European languages is preferred, Spanish is required if the candidate will be based in Barcelona. International career development opportunities are excellent for high calibre candidates.

If you are interested in this position, please contact Elisabeth M.M. Huigen on +31 20 6444 655, or alternatively send or E-mail your Curriculum Vitae to the following address: Robert Walters Associates, 'Rivierstaete', Amsteldijk 166, 1079 LH Amsterdam, The Netherlands. Fax: +31 20 6429 005.
E-mail: elisabeth.huigen@robertwalters.com

ROBERT WALTERS ASSOCIATES

http://www.robertwalters.com

LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY MELBOURNE BRISBANE WELLINGTON AUCKLAND

BUSINESS MANAGERS

LEADING GLOBAL SECURITIES HOUSE

BASED LONDON AND ASIA — £ EXCELLENT REMUNERATION AND BENEFITS

This world renowned organisation enjoys an exceptional reputation as one of the leading participants in capital markets. With total assets in excess of $100 billion, its principal activities include dealing, brokerage, underwriting and distribution of securities. As a truly global player it provides a comprehensive range of client orientated expertise and innovation in the financial markets, building a formidable reputation for creativity and reliability. As a result of continued expansion two new roles have arisen:

ASIAN AREA - BUSINESS MANAGER

This new senior position supporting the joint head of sales, trading and organisation for the region will be highly influential in helping to shape the future of this business. Assisted by a small team, you will have specific responsibilities for:

- managing the entry of new businesses, products and markets, implementing a robust yet flexible operating structure
- providing proactive project management and problem solving skills to enhance the overall quality of the operating infrastructure
- analysing a broad range of strategic issues and goals and developing effective plans to achieve their implementation
- undertaking cost control and budgeting activities as well as administrating risk management and control mechanisms for the business

LONDON - PROPRIETARY TRADING AND STRUCTURED FINANCE BUSINESS MANAGER

This is an exceptional opportunity to provide broad based business support and decision making to this strategically important business unit, with operations in Europe, the USA and Asia. Responsible for day-to-day administration of the group you will also advise the senior management team on strategic business issues. This will include infrastructure issues, risk considerations, management information requirements and new business implementation.

Both of these roles offer challenging and demanding work within a fast paced environment. A thorough understanding of financial markets is essential, with the London role requiring expertise in Fixed Income and Derivative products. A knowledge of the fiscal and regulatory issues affecting booking decisions in different geographical regions would be an advantage. Relevant experience is most likely to have been gained from working in a middle office environment. Successful candidates will have a high level of influencing, negotiation and communication skills as well as project management and strategic planning experience. Interested US citizens should be aware that flexibility in contractual arrangements will be considered.

Interested applicants should contact either Matthew Maslin in Hong Kong as soon as possible on +852 2525 7808, fax +852 2525 7768 or write enclosing your Curriculum Vitae to Robert Walters Associates, 21st Floor, Jardine House, One Connaught Place, Central Hong Kong, or Catherine di Mambro in London on +44 171 379 3333, fax +44 171 915 8714 or write to 10 Bedford Street, London WC2E 9HE, or Narelle Fox in New York on +1 212 704 9900, fax +1 212 704 4312 or write to 1500 Broadway, Suite 1801, New York NY 10036 USA.

ROBERT WALTERS ASSOCIATES

http://www.robertwalters.com

LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY MELBOURNE BRISBANE WELLINGTON AUCKLAND

THE BOSTON CONSULTING GROUP

FINANCIAL CONTROLLER IN LEADING GLOBAL STRATEGY CONSULTANCY

LONDON **ATTRACTIVE PACKAGE**

The Boston Consulting Group (BCG) is the leading international consulting firm focused on developing and implementing strategic change. Operating out of more than 40 offices around the globe, BCG serves many of the world's leading companies. BCG consultants work closely with senior management on issues of direction, business performance and implementation of change. BCG's ideas have changed the way companies think about strategy. As a result, BCG is one of the fastest growing and most successful management consultancies in the world.

- The new position of London Controller has been created to provide the basis for financial control that will enable the continuing rapid growth of our business
- Reporting to the Head of the London Office, your primary responsibilities will be to help the officer group ensure continuing improvement of the financial control and performance of our business
- Likely to have a first class academic background and accountancy qualifications, and be in your 30's or 40's, you will ideally be an experienced accountant with prior success in a professional services or similar environment
- Able to operate effectively in a fast paced, non-hierarchical environment you will be adaptable, flexible, but with personal style, enthusiasm for responsibility and an ability to deliver. You will be strongly commercially minded and able to communicate effectively with senior personnel
- Working alongside our Company Secretary and other senior managers, you will enthuse at building your team and the infrastructure as you create our world class control function.

Please apply in writing with full career and salary details to:
Helen Tansley, Human Resources Coordinator,
The Boston Consulting Group, Devonshire House, Mayfair Place, London W1X 5FH

Young & Dynamic Professional

European Growth

A market leader, with an impressive portfolio of international brands, our client has a strong and growing presence in Europe.

As part of this growth and development this key role has now arisen. Specifically you will:

- Provide a full financial service to Commercial and Brand Management
- Evaluate and challenge as appropriate, marketing investment plans and pricing decisions
- Coach financial analysis ensuring consistency of approach to this across Europe
- Adhoc projects associated with driving the business forward

South West

The above will demand the use of business as well as financial analysis in reviewing and challenging performance, trends and plans. A qualified Accountant or a financially orientated MBA you will have worked within a fast-moving, multi-national environment. You must be fluent in 2 European languages one of which is English.

c.£50,000 package

Your most important skills will be your ability to influence and persuade at senior levels outside as well as within the finance function. You will be pro-active and results orientated with a creative mind capable of lateral thinking. A self-starter you will also be a team player.

Interested candidates should write with full CV, quoting current rewards package to Karen Wilson, Hoggett Bowers, 28 Essex Street, London WC2R 3AX, Tel: 0171 970 9600, Fax: 0171 936 3974, quoting ref: LKW/15050/FT.

Part of the PSD Group

Hoggett Bowers | Executive Search and Selection

INVESTOR IN PEOPLE

MAIN BOARD FINANCE DIRECTOR

Leisure Sector

North West **c £70,000 + Benefits**

With an established national network of outlets, our client is already a major force in the UK leisure industry. Fully listed, with a turnover in excess of £400 million, the Group has generated substantial recent growth both organically and by acquisition. The market offers significant potential not only for the Group's existing businesses, but also for complementary activities. Following the promotion of the current incumbent, the Board have decided to add to their financial management strength by the appointment of an experienced and commercial Finance Director.

THE POSITION

- An outstanding opportunity for career development at main Board level in a highly successful Group which is well positioned for future growth.
- A key appointment in the advancement of the Group, covering issues ranging from maximising operational efficiencies through to working closely with colleagues on acquisitions and subsequent integration.
- Responsible for regular representation of the Group to its City contacts, bankers and other professional advisors.
- Reports to the Chief Executive and carries the full scope of Plc responsibilities, leading and developing talented established teams in finance and IT.

QUALIFICATIONS

- Qualified Accountant, preferably aged late 30's to early 40's.
- Energetic, self reliant and commercially mature finance professional with exceptional interpersonal and communication skills.
- Preferably Plc experienced. Ideally from a multi-site retail or similar sector in which customer service is of paramount importance.
- Adaptable, ambitious and able to thrive in a demanding, professional but informal culture which encourages open communication at all levels.
- Responsive to a consumer focused business in which people, both customers and staff, are given the highest priority.

Interested candidates should write, enclosing full career and current salary details to the advising consultants, Richard Wilson or Robert Berkeley, quoting reference 2352, at Questor International, 3 Burlington Gardens, London W1X 1LE. Tel 0171 292 8300. Fax 0171 287 5457. E-mail: gail@questorint.com

QI
QUESTOR INTERNATIONAL

Finance Director (Designate)

Including Company Secretarial

Bournemouth **£40-45,000 + Car + Benefits**

Our client is a medium sized family owned business which has been successfully importing timber from Scandinavia and the Baltic regions for over 100 years. They have since acquired further businesses and the group now includes two builders merchants and a property investment arm employing over 160 people across a number of locations. The business is well established with a strong customer base in the South West of England and is set for further growth by the expansion of the property business and potential strategic acquisition.

Initially reporting to the Board, the role is essential in providing full financial and administrative support to the business. Key responsibilities will include:

- Provision of first class financial control of the business.
- Management of the financial reporting of the company's performance.
- Company administrative and statutory secretarial responsibilities.
- Full responsibility for all pension, insurance and assurance provisions.
- Liaising with all external institutions on a regular basis.
- Management of a small but professional team.

Likely candidates will be either qualified accountants or chartered secretaries with at least ten years experience who can clearly demonstrate a strong track record in a small to medium sized environment. You will be technically strong with the managerial skills to liaise at all levels within the business and with banks and other external bodies. Individuals with multi-site experience will be of particular interest.

Interested applicants should forward a comprehensive CV, including details of current salary and daytime telephone number, quoting reference 390916, to Anthony Spratt ACMA, Michael Page Finance, 33 Blagrave Street, Reading, Berkshire RG1 1PW.

MP
Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

KPMG

Financial Controller

- **Thames Valley**
- **£70,000 pa + benefits package**

Our client is a global market leader who has enjoyed substantial growth over a period of nearly a decade. The company, part of a major UK PLC, is involved in the design and manufacture of high tech, high capital value electronic equipment. Turnover around the world is approaching £150 million and the scale of business now requires the creation of a new position of Financial Controller.

This senior position represents an excellent opportunity for an experienced financial manager with strong leadership qualities and well developed interpersonal skills to make a key contribution to the continuing growth of a highly successful international group.

The Financial Controller will report to the Group Finance Director and will operate as his deputy. The successful candidate will be directly responsible for all aspects of the UK finance function.

The company's exceptional growth has also led to a decision to replace existing computer systems with an Oracle Integrated Business System encompassing all of the group's UK and overseas operations. The Financial Controller will take on the responsibility for the financial aspects of this important programme.

Candidates should be Graduate Chartered Accountants who have relevant experience in a multi-currency environment in industry, or as a senior manager in a "Big Six" firm. The position will inevitably involve some international travel and will require good all round communication skills. Attention to detail and the ability to cope with sustained pressure are also regarded as essential.

Interested candidates should apply in writing with full career details including salary, quoting reference PB21 to Carole Russell, KPMG Selection & Search, 1-2 Dorset Rise, Blackfriars, London, EC4Y 8AE. ***As applications will be passed directly to our client, please indicate any company you do not wish your CV to be forwarded to.***

KPMG Selection & Search

Financial Director

South West **Package to £40,000**

Our client is a subsidiary of a large multi national, £0.5 billion electronics Plc. This is a recent acquisition for the group. Currently the business is involved with the manufacture of specialised equipment whose principal market is in aerospace and military applications in America. The technology is also appropriate to a number of other markets and extensive growth is anticipated with the development of new products and extension to new geographical areas.

Reporting to the Managing Director, you will work as an integrated part of a small management team and will provide sound financial and business advice. Key accountabilities will include monthly reporting, statutory reporting for full and half year results, sales and purchase order processing, budgeting, inventory controls and bills of materials. New software is being installed early 1998.

You will be a qualified accountant and experience based in a technology company is preferred, however, manufacturing experience is essential. You will be conversant with standard costing systems and will be fully appreciative of the wider operational issues outside of the finance area. Knowledge of exporting and experience of dealing with military contracts would be a distinct advantage.

With a 'hands-on' approach and a down to earth personality, you will possess a high degree of commercial acumen with the drive and motivation to succeed. In return, the position offers the successful applicant an opportunity to work for a company with excellent growth prospects and a group which can provide future career progression.

Interested candidates should apply in writing, enclosing a CV and covering letter, with daytime telephone number and current package details to Kathryn Roberts at Michael Page Finance, 29 St Augustines Parade, Bristol BS1 4UL or fax your CV to 0117 926 4223, quoting reference HNYB.

MP
Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

FINANCE DIRECTOR

Ramco Oil & Gas Ltd

Ramco

£60-70,000 + benefits **South East**

Ramco Oil & Gas, a subsidiary of the highly-successful AIM and AMEX-listed Ramco Energy Plc, is a fast-growing independent production company focusing on the former Soviet Union and Eastern Europe. Continued expansion via international joint ventures results in the company now appointing its first Finance Director.

THE POSITION

- Report to MD. Full responsibility for establishing and developing a highly-professional finance function.
- Ensure timely and accurate preparation of statutory and management reports to group standards. Provide meaningful, commercial analysis of company performance.
- Liaise with JV partners, tax advisors and auditors. Appraise potential investment opportunities.

QUALIFICATIONS

- Qualified accountant with knowledge of UK and US GAAP reporting. Experience in oil and gas JV project accounting essential.
- Exposure to Eastern Europe and former Soviet Union an advantage. IT literate with strong modelling skills.
- Hands-on, self-motivating and commercially aware. Flexible and entrepreneurial approach.

Please write in confidence, with a CV and remuneration details, to Criterion Search, 50 Regent Street, London W1R 6LP, quoting ref: 2064. Tel: 0171-470 7212. Fax: 0171-470 7171.

CRITERION
S E A R C H
PART OF THE CURZON PARTNERSHIP

GROUP FINANCIAL CONTROLLER

EMPHASIS ON COMMERCIAL AND STRATEGIC CONTRIBUTION

LONDON **c.£70,000 + BONUS + BENEFITS**

- £450m turnover group, a leader in its specialist, contract-based sector. Impressive growth, both *organically and through acquisitions. Half-year* sales and PBT both up by over 40%.
- Group's success reflects strong customer focus, empowered and decentralised management style and active people development, alongside rigorous financial control.
- High profile role working with the Group Finance Director to provide commercial, financial and strategic support to the small central management team.
- Graduate qualified accountant, probably aged late 30's, who combines technical excellence and people management skills with a distinctly commercial approach. Previous experience is likely to include both central and operational roles, *however candidates direct from the profession will* also be considered.
- An extrovert with the weight of personality to make their point to non-financial management effectively and influence key business decisions. Comfortable in an informal environment, able to combine professional rigour with a people-based approach.
- This is a position with considerable breadth, which will offer excellent scope for personal development in line with the Group's continued growth.

Please apply in writing quoting reference 1559
with full career and salary details to:
Nigel Bates
Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
www.whiteheadselection.co.uk

Whitehead
SELECTION
A division of Whitehead Mann Ltd,
a Whitehead Mann Group PLC company

BUSINESS CONTROLLER

Network and Customer Services Directorate [NCS]

upto £50,000 including a performance related element London

The Highways Agency is responsible for managing, maintaining and improving England's motorway and trunk road network. Its aim is to use resources more effectively and deliver better quality services.

Network and Customer Services is the internal customer within the Agency. The Business Control team supports the decision making process in both the Agency and NCS by developing and implementing sound business management, accounting and reporting practices and assisting in their implementation.

Operating as a member of the NCS management board, you will ensure NCS operates within its approved Programme and Administration Budget while delivering its Business Plan. Key tasks will include:

- ensuring Directors are provided with the information they need to run their businesses;
- developing the management accounting function;
- clarifying operational and financial goals and creating strategies to achieve them;
- advising on management accounting policy;
- introducing performance measurement to all projects and activities.

The role calls for an energetic, tenacious individual with significant management and operational experience at senior level, supported by ACMA or FCMA membership. First class team building skills and a detailed understanding of performance measurement in a large, complex business will be essential. You should also be capable of setting and meeting targets, responding to changing priorities and implementing robust solutions in an environment not currently used to management accounting practices.

The appointment is offered on a three year fixed term contract with the possibility of extension. Excellent benefits include 30 days' holiday, 10.5 public and privilege holidays, non-contributory pension and relocation assistance of up to £5,000.

For further details and an application form (to be returned by 23rd January 1998), please telephone Capita RAS Search & Selection on 01256 468551 (24 hours) or fax 01256 383786/383787. Internet: rasnet.co.uk Please quote reference B3546.

Alternatively, for an informal discussion please call Barry Hilton during office hours on 01256 383621.

An equal opportunity employer

HIGHWAYS AGENCY

CAPITA RAS

SEARCH & SELECTION

ZENECA SPECIALTIES

International Business Finance Manager

c£60,000 + Executive Benefits

Manchester (International Travel)

Zeneca Specialties is a £1 billion + turnover division within Zeneca Group, a leading FTSE 100 company. Comprising seven businesses with manufacturing and distribution on a global scale, they supply a range of leading specialty chemical products to an international customer base. Following an internal promotion, they now seek to appoint a high calibre Finance Manager to advise on the management of business risk and standards of corporate governance.

Reporting both to the Zeneca Specialties Board and the Group Chief Internal Auditor, you will be responsible for providing Senior Managers with an independent assessment of their internal control environment, and proactive consultancy on all aspects of business risk. You will have a wide brief to plan and direct the allocation of shared Group Audit resources to appropriate risk areas as perceived from your understanding and knowledge of the businesses.

Candidates will probably be graduate ACAs with a significant record of achievement, including business change management, within a high quality global enterprise. You will be independently minded and commercially astute with demonstrable influencing skills and a confident, well developed communications style. In addition, you will have a high personal regard for standards and the integrity to lead from the front where required.

This role has significant influence within both Zeneca Specialties and Zeneca Group, and the successful candidate will be well placed to advance further within the Group.

Interested candidates should send a comprehensive Curriculum Vitae to John Phillips ACA at Robert Half International, 75 Mosley Street Manchester, M2 3HR quoting reference X02969 or fax to 0161 236 0848. E-Mail address: manchester@roberthalf.co.uk.

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SCOTLAND

Finance Director **PLC** **£100k potential + package**

A long established quoted company, our client is a primary supplier to the construction industry. They have steadily expanded their traditional operations into the Midlands and USA and moved up the value chain into manufacturing and engineering of related products. However, in the face of low housebuilding levels and continued low road and local authority construction expenditure, turnover and profit have been flat at around £40m and £3m for several years.

The young MD has decided to withdraw from certain less profitable operations to concentrate on the existing healthy businesses plus further diversification and growth into high value operations through organic growth and acquisition close to markets. He therefore seeks to recruit a Finance Director to work closely with him to develop the company by • reviewing the systems and controls • challenging the status quo and rationale of every aspect of the P&L and Balance Sheet • working with the board to create a new strategic plan for the business.

You will be a qualified accountant with a track record of improvement in all previous companies ideally with some re-engineering/acquisition/turnaround experience. The remuneration package includes a base salary around £70,000, substantial bonus potential based on EPS growth, executive car, pension, share options etc.

To apply, send career details, including salary requirements to Douglas Kinnaird CA, as advisor to the company, at MacDonald Kinnaird.

MacDonald Kinnaird

HUMAN RESOURCES CONSULTING • BUSINESS DEVELOPMENT TRAINING

RWF House, 5 Renfield Street, Glasgow G2 5EZ.

FINANCE DIRECTOR

COMMERCIAL ROLE FOR HIGH-FLIER

HARTLEPOOL **TO £50,000 + BONUS + BENEFITS**

- A division of a FTSE 250 PLC, Camerons is now the fastest growing business within the Group and a significant contributor to profits. One of the leading brewer-retailers in the North East, the last five years have seen significant capital investment, the pub estate now numbering 160 pubs.
- Success has been built on strong beer brands, a high quality estate and popular retail concepts. Further investment is planned to help ensure that ambitious growth targets are met. Key to this is the appointment of a commercially orientated FD to help drive the business forward.
- High profile member of the Senior Management team, contributing to the commercial development of the business, in addition to ensuring the smooth running of the finance function.
- A graduate qualified accountant, with a minimum of five years pqe gained in industry or the profession. Strong IT skills with exposure to the retail sector would be of benefit, but are not prerequisites as personal qualities and the potential for future promotion are the primary selection criteria.
- A high degree of commercial acumen and analytical ability must be combined with well developed interpersonal skills to ensure you operate effectively at Board level and establish credibility across the business. Strong team orientation, a proactive hands-on approach, and the desire to work hard and play hard are also key requirements.

Please apply in writing quoting reference 1567 with full career and salary details to:
Susan Ryder
Whitehead Selection
Equity House, 1 The Bourse, Boar Lane
Leeds LS1 5BQ. Tel: 0113 229 1500
www.whiteheadselection.co.uk

Whitehead SELECTION

a division of Whitehead Mann Ltd, a Whitehead Mann Group PLC company

Head of Finance

Cheshire **Salary to £45,000, plus car and benefits package**

- *Community Integrated Care Limited is a registered charity committed to retaining its status as a centre of excellence in the provision of needs-led services for people requiring social, psychological, emotional and physical care or support. Working in partnership with health authorities, local authorities and housing associations, the organisation supports clients throughout the UK and has a turnover approaching £33 million. There are ambitious plans for further expansion.*
- *As Head of Finance you will work closely with the Chief Executive, as a key member of the management team, and be responsible for all aspects of the finance function, including financial accounting, reporting and control, budgeting and forecasting and the overall financial stewardship of the organisation. A particular priority will be the development of management information systems aimed at enhancing decision making effectiveness.*
- *A qualified accountant, you will be equally comfortable at the operational and the strategic levels and be motivated by providing high quality financial service and support. It is important that you share in CIC's vision of delivering the very best in community care and, through your personal energy, management experience and leadership skills, you will be expected to make a major contribution to the achievement of both the charitable and the business objectives. Experience gained within the voluntary or public sectors would be highly relevant.*

Please send your curriculum vitae with current salary details and an explanation of how you meet these requirements to Tim Hastings, Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference TH185.

ERNST & YOUNG

The United Kingdom firm of Ernst & Young is a member of Ernst & Young International

Excellent remuneration package

van Melle

Hong Kong - Shenzhen/ Sao Paulo - Jundial

Financial Directors China and Brazil

Van Melle is a highly successful Dutch sugar confectionery company with well-known brands and a strong international market position. The company employs more than 3,000 people and has over 20 operating companies throughout the world. Van Melle now plans to develop further its greenfield operation in China and to expand its Brazilian company which is currently going through a major change process.

THE ROLE

- Reporting to the General Manager and Regional Controller, responsible for all treasury, financial, administrative and IT matters.
- Managing a team of 12-15 people. Development of the IT systems is a key issue. Responsible for timely reporting, accounting, budgeting and management information.
- Active business contributor to the strategic planning process and to the further development of the local company in terms of efficiency and effectiveness.

THE QUALIFICATIONS

- Educated to college or university level. Excellent command of English; knowledge of local language a plus.
- Widely experienced, mature financial professional with first-class track record. Familiar with the process of implementing new software programmes.
- Business-driven team player with a sharp analytical mind. Highly structured working attitude and strong leadership qualities.

Tel: +31 20 305 7373
Fax: +31 20 305 7337

Selector Europe
Spencer Stuart

**Please reply with full details to:
Selector Europe, Ref. 1219-01,
Gabriel Metsustraat 9,
1071 DZ Amsterdam, The Netherlands**

Director, Project Finance

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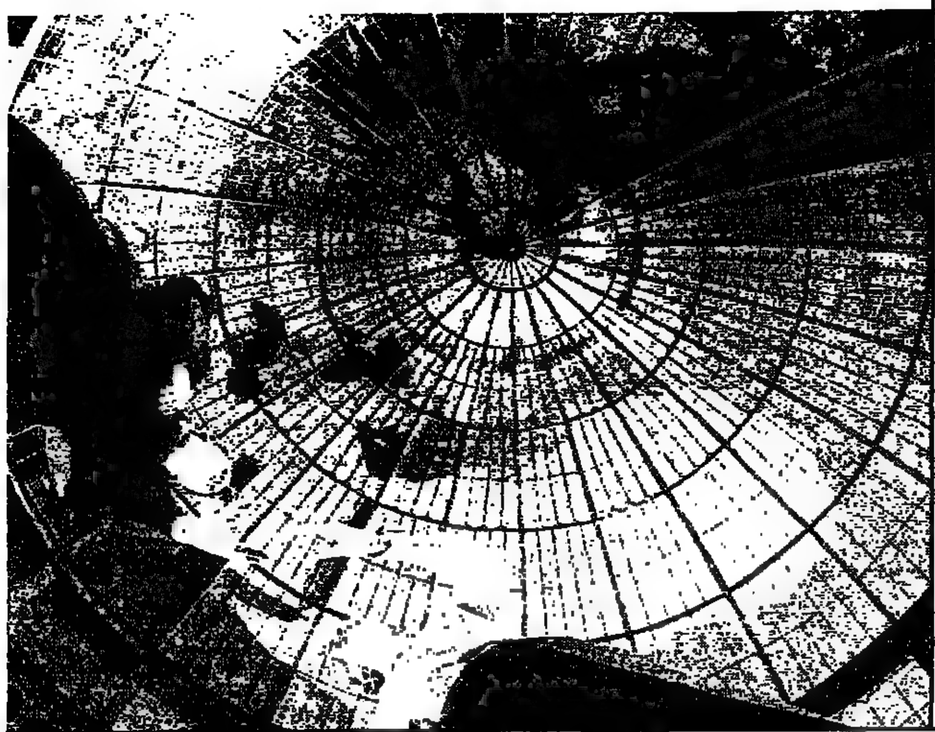

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LA takes up the baton

Martin Bernheimer on the growing musical independence of the west coast

The buses of New York grind their way about town these days covered with huge advertisements. One involves a plug for a provocative weekly. "New York magazine. What people in LA read for a little culture and intellectual stimulation."

It's funny, and it's a coastal thing. Sophisticated and snobby New York has always regarded itself as the centre of American civilisation. To a New Yorker, no place is as distant, as dowdy, as ditsy or as dizzy as Los Angeles.

Los Angeles, after all, is the home of movies, moguls and conspicuous consumption. Los Angeles is the land of popcorn and kitsch. Los Angeles is the world's largest and richest hick town. Or so they say.

Until fairly recently, Los Angeles believed its own ratings, and consequently suffered in matters cultural from a palpable inferiority complex. When it wanted to act grown up and smart, it tried to ape – what else? – New York.

The most obvious gauge of the city's cultural achievements was, and is, the resident symphony orchestra. Until a decade ago, opera in LA was at best a commodity to be imported from other cities, preferably New York, for brief seasonal indulgences. Even now, balletic endeavours remain sporadic. Solo recitals and chamber music were always reasonably plentiful, but it doesn't take much to hire a hall and a pianist or a small group. Rubinstein and the Budapest String Quartet played in Kalamazoo, too.

But the Los Angeles Philharmonic was different. It was a local product. It utilised domestic talent. It provided a focal point for the socialising and the charity work of the good blue-haired ladies who lunch. It even gave the city a rallying point for the construction of a lavish music centre – even though the 3,200-seat Dorothy Chandler Pavilion, home of the Los Angeles Philharmonic, is known to rest of the world as the frequent venue for Academy Award orgies.

By American standards, the Los Angeles Philharmonic can boast a long history. Founded in 1928, it has been led by such distinguished old-world maestros as Artur Rodzinski, Otto Klemperer and Eduard van Beinum. The dashing, young Zubin Mehta – adored by the blue-haired ladies if not by music-lovers who valued introspection over flash – held forth from 1962 to 1977, followed by the chronically poetic Carlo Maria Giulini (1978-1984) and the limited but serious André Previn (1986-1989). Each had his specialty, and each kept the orchestra pretty much grounded in the central-European romantic tradition. Priorities began to change, however, with the advent of Esa-Pekka Salonen in 1992.

Salonen, born in 1958, first attracted the attention of Ernest Fleischmann, the autocratic and undeniably canny impresario of the Los Angeles Philharmonic, when the young Finn conducted Mahler's Third Symphony with the London Philharmonia at short notice in 1983. After Los Angeles audiences proved reluctant to embrace the unglamorous image projected by Previn, Salonen was the perfect antidote. He was good-looking, brash, energetic, dynamic, tough, aloof. His features would look terrific gracing billboards from Hollywood to Pacific Palisades. He wasn't quite as youthful as he appeared, perhaps, but youthful enough to attract a new audience to the Dorothy Chandler Pavilion.

Salonen came and conquered, first as a guest, then as official music-director in 1992. A composer himself, he insisted on conducting a lot of new music – and he conducted it brilliantly, with extraordinary sympathy, astonishing accuracy and uncommon flair. The kids loved him. The conservative subscribers weren't always as impressed, or as interested, but their voices carried less resonance with each passing year.

If Salonen's Mahler sounded a bit cool and impersonal, the overheated rhetoric survived his hyper-analytical approach. He was far less successful with Mozart and Beethoven, whose expressive challenges he tended to sterilise, or dismiss as speedily and as superficially as possible. But hardly anyone seemed to mind, and the modernist camp was never happier. For better or worse, Salonen gave the Los Angeles Philharmonic and, by implication, Los Angeles, a new expressive independence. His popularity grew.

This season, Salonen offers the world premiere of an ambitious endeavour by his Finnish contemporary, Magnus Lindberg – a Los Angeles commission from "one of Europe's hottest young composers", according to Fleischmann. Also planned is an ambitious festival celebrating György Ligeti's 75th birthday.

Coincidentally, comparably progressive changes are taking place in San Francisco, the northern metropolis traditionally regarded as a sophisticated counterpoint to wild and woolly Los Angeles. At the San Francisco Symphony, founded in 1911, the new music-director is Michael Tilson Thomas, 53, a practiced adventurer with a healthy bias toward living composers in general, and living American composers in particular. He has captured the admiration of the City by the Bay, where his politely stodgy predecessor was the Herbert Blomstedt. It also is worth noting that Tilson Thomas, a native Angeleno never taken very seriously by the Los Angeles Philharmonic, still functions as a prophet without much honor in his home town.

Meanwhile, in New York the maestro on duty is Kurt Masur. The good old Germanic tradition – a tradition traceable in this case to the glory of the Leipzig Gewandhaus – is alive and, in its rather safe and routine way, well. Masur, 70, brings comfortable authority to the romantic repertory that mass audiences love, the repertory neglected by Salonen and by Thomas. The New York standards in the standard repertory are certainly decent, though inspiration – the sort Los Angeles encountered during the Giulini era – remains a rarity. On the relatively scarce occasions when the New York Philharmonic toys with something new, the conductor is likely to be a guest, most likely Leonard Slatkin. For his part, Masur seldom flirts with anything more dangerous than Benjamin Britten's "War Requiem." One wonders what the signs on the sides of buses are saying in Los Angeles.

A diva's legacy

Alastair Macaulay considers how our perception of Maria Callas has changed since her death 20 years ago

Maria Callas – the greatest operatic singer of the last half of our century, and the most famous prima donna in history – died in 1977, 20 years ago. Biographies, plays, even ballets, have fanned the legend; EMI has marked the anniversary with its most voluminous Callas edition to date. Unknown recordings keep coming to light. You can now hear (though not on EMI) the 11-year-old Callas in 1935 on an Amateur Hour radio broadcast, and the retired Callas rehearsing in private in 1976, the year before her death.

It is fair to use the word "genius" of her; but we must also recognise the extraordinary nature of her ambition. Throughout her career, Callas wore two Janus faces: that of the severely conscientious, profoundly committed artist, and that of the headline-making focus of scandal. Nor can you fully separate one from the other. She knew that scandal was good for business – but she was also instinctively, naturally sensational.

The first sensational achievement of Callas's career was in 1949. After less than two years of work in Italy as a soprano in the heavily dramatic repertory she stepped at 10 days' notice into one of the most brilliant coloratura roles, Elvira in Bellini's *I Puritani*, traditionally associated with light voices, just three days after singing Wagner's Brünnhilde.

This kind of volte-face became a Callas trademark. As late as 1961, when her top notes were painful shrieks and her entire voice was fraying, her EMI *Callas à Paris* LP recital threw down three gauntlets at once: (a) it was her debut as a French singer; (b) it included arias both coloratura and dramatic; (c) it ranged from high soprano music to items customarily sung by rich contralto voices.

Callas often spoke of "serving" music. Most singers only serve music as far as is vocally congenial; she went far further, sacrificing comfort, loveliness, and the basic capital of her voice itself on music's altar. Although much slapdash "dramatic" singing has followed in her wake, she herself was fiendishly precise. How Callas worked on herself is demonstrated in exceptional detail by two recent CDs. Back in 1985, EMI released the test recording she made in 1953 of Donna Anna's "Non mi dir" in *Don Giovanni*, and its staggering achievement has nothing to do with dramatic intensity, everything to do with a technique and musicality so prodigious that her astonishingly long, relaxed and fluent lines change the entire landscape of Mozart's aria. This year, however, EMI has released – on tracks 1 and 2 of *Maria Callas: the EMI Rarities* (EMI Classics 7243 5 66468 2 7) – both that *and* Callas's first test-recording of the same aria, made earlier the same day. The first, never released before, is technically even more amazing, with *one 20-second breath* (many singers cannot sustain a phrase longer than 10 seconds) linking together usually separate phrases into a single skein of dignified pleading. Interpretatively, she seems almost to be sight-reading; the second account – responding to suggestions by the recording director, Walter Legge – shows the emergence of several new details.

The other is a "pirate", *Le 4 Pazzie di Lucia di Lammermoor* (Memories, HR 4581), made up of no less than four successive performances of the Mad Scene from *Lucia di Lammermoor* in Mexico City in 1952, Callas's first-ever performances of the role. She sometimes muddles her words, but her grasp of the music is always an awesome object-lesson in overall architecture and in illuminating detail. The CD shows in particular how she kept changing details of accentuation, and kept searching for a style that would satisfy her. A phrase that is blithe at one performance becames tragically laden at the next; she is still negotiating whether Lucia needs a light or dark voice. Meanwhile, she always knows musico-dramatic truths that no other Lucia of our century has known: the psychological fragmentation of Lucia's condition in the wordless cadenza with flute, the plaintive pathos within the vaulting virtuosity of her final cabaletta.

Callas began to record for EMI in 1953, and her arrival set the seal on the new LP era as surely as Caruso's had on that of 78s. The greatest Callas, however, is seldom to be heard in her studio recordings. That EMI has remastered an increasing number of her live recordings is very welcome. And 1953 saw the end of her vocal prime, for it was the year in which she began to slim. As Michael Scott demonstrates in *Maria Meneghini Callas* (Simon & Schuster, 1991), this didn't make her lose her technique; but it did make her lose her voice.

It is in the live recordings from 1949-53 that the fullest miracle of Callas is radiantly apparent. They show her often working with great conductors – such as Serafin, Gui, Erich Kleiber, de Sabata, Barbirolli, Bernstein – and her range (from Wagner's Kundry to Rossini's Armida) is at its most extreme. She stretches out the most taxing phrases in *Turandot* at far greater length than other singers would attempt, and at the same time goes straight to the core of the role's defensive sexual frigidity; she preserves her standards even when working without good conductors or (more often) good tenors; she unfolds a hysteria and a legato within Wagner's Kundry that galvanise the role into a new tragic glory; and she finds a greater range of colour within *Lucia* and *Traviata* than would later be available to her.

Callas often struck sparks from dramatic interplay with colleagues. But she struck the best sparks from herself. Remember who and what she was: myopic, overweight until her 30s, a Greek American who seems always to have been speaking in a language that was not her first. Music was the only serious outlet her psyche knew. And musical psychodrama is nowhere more supreme than those extended scenes in which Callas is lost amid her character's thoughts. Maybe it was sensationalist of EMI to present one Callas LP just called "Mad Scenes" (1958), but it was also brilliant. The heightened psychological condition of operatic madness released profound instincts within her.

Instinctively, naturally, sensational: Maria Callas in 'La Sonnambula', 1957

Yet perhaps all she really needed, to be most herself, was music that expressed contrast and tension within classical form. I have often thought that the greatest single recorded item of her entire career is of the aria "D'amor sull' ali rosee" during a live performance of *Il Trovatore* at La Scala in 1953. In the opera's first three acts, ironically, she is at her least committed. Then, suddenly, she is at her grandest in this scene. True, she is not in her clearest voice, nor can she essay the highest options she so soaringly brought off in her 1950 debut in the role. Here, however, she is fully awake to the music's dark tragic nobility. There is no dramatic conflict here, but the aria's constantly self-renewing sweep, its swelling long-lined lyrical expansiveness, and the contrasting trills and portamenti that contribute to its texture: these are enough to make Callas sublime.

Pop

Bye, bye blues

Readers of the British monthly rock magazine Q this month voted for their favourite album of all time, and made a surprising choice: they preferred the contemporary gloom of last year's *OK Computer* by Radiohead to the usual contenders by The Beatles, Bob Dylan, The Beach Boys *et al.*

One does not have to agree with their decision to find it a breath of fresh air. Most pop music was not built to last, and its current practitioners, enveloped in matters of the here-and-now, would be horrified to think they were helping to form yet another canon.

There have been phases, however, when rock musicians have scrutinised the history of their art with an almost academic rigour. The three-CD set *The Blue Horizon Story 1965-70 Volume One* (Columbia) tells the story of the British blues boom, an almost forgotten phenomenon amid the popular perception of the 1960s as a time of innovation.

Blue Horizon was the specialist label set up by Mike Vernon in the middle of the decade to disseminate the raw sounds of the Chicago blues with which he had fallen in love. Its early releases included old recordings from such splendidly-named US artists as Woodrow Adams and the Boogie Blues Blasters and "Little" Mack Simmons and his Boys. But soon, a new crop of young British musicians were aping their heroes. It is a tribute to their diligence to say that John Mayall and Eric Clapton, with their "Lonely Years", recorded in the heart of Soho, sounded little different from the great blues masters.

As the word spread, the label became more successful, signing a deal with CBS to safeguard its expansion. New bands were taken on: Chicken Shack, Peter Green's Fleetwood Mac. The latter's dreamy "Albatross" sits awkwardly among the cruder sounds of Eddie Boyd and Champion Jack Dupree. Indeed one might be tempted to dismiss its blues origins altogether; but a careful listen to Green's impassioned guitar playing confirms the evolutionary progression which had taken place.

"Albatross" was, by some distance, the label's finest moment; it topped the British charts in early 1969, selling more than 1m copies. But Vernon remained true to his own faith: he scoured the US to bring more of the music he loved to Britain, while his contemporaries were practising their newly-learned marketing tricks and reaping the dividends.

The British blues explosion duly burned itself out. The careers of Clapton and Fleetwood Mac took their well-documented turns, others remained stubbornly undiscovered. *The Blue Horizon Story* is a fine reminder of an era which touchingly regarded authenticity as a prime virtue; it should be placed in a museum.

Peter Aspden

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITIONS
Van Gogh Museum
Tel: 31-20-570 5200
Auguste Préault (1809-1879): Romanticism in Bronze. 75 sculptures and medallions by the nonconformist whose works, during his lifetime, were regularly rejected by the Salon jury; ends on Sunday

BARCELONA

EXHIBITIONS
Fundació "la Caixa"
Tel: 34-3-207 7475
Rembrandt: The Human and the Natural Landscape: 91 etchings from the Rembrandt House Museum in Amsterdam; ends on Sunday

BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Nikolaus Harnoncourt in works by Beethoven; Jan 10, 11, 12

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Deutsche Oper Ballet: Rosalinde, choreographed by Ronald Hynd to music by J. Strauss; Jan 10, 15

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Hänsel und Gretel: by Humperdinck. Conducted Sebastian Lang-Lessing in a staging by Andreas Homoki; Jan 9

BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
Kunsthalle Bremen: selection of important works from the collection; ends on Sunday

CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Amistad: world premiere of Anthony Davis's new work about the 19th century anti-slavery campaign. Dennis Russell Davies conducts a production by George C. Woolfe; Jan 9, 11, 15

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: conducted by Bernard Haitink in works by Haydn and Bruckner; Jan 11

DANCE
Royal Festival Hall
Tel: 44-171-928 8800
The Royal Ballet: Cinderella; Jan 9, 10, 12, 13, 14, 15

EXHIBITIONS
National Portrait Gallery
Tel: 44-171-306 0055
Glenys Barton: selection of ceramic heads and portraits by the British sculptor; ends on Sunday

Victoria and Albert Museum
Tel: 44-171-938 8500
Zuloaga: Spanish Treasures from the Khalili Collection. First major exhibition devoted to the 19th century Spanish metalworker and his contemporaries; ends on Sunday

OPERA
Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: The Merry Widow, by Franz Lehár, in a new translation by Jeremy Sams. New production by Graham Vick, with designs by Richard Hudson; Jan 9, 10

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Haydn and Mahler; Jan 9, 11

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Salome: by R. Strauss. Revival of Sir Peter Hall's celebrated production. Conducted by Richard Hickox; Jan 15

MADRID

EXHIBITIONS
Fundació "la Caixa"
Tel: 34-1-435 4833
Martin Puryear: first European retrospective of the American sculptor, b.1941. The display comprises around 40 works produced since the mid-1970s; ends on Sunday

Museo Nacional Centro de Arte Reina Sofia
Tel: 34-1-467 5062
Fernand Léger (1881-1955): retrospective comprising some 220 paintings and drawings by the early modernist; to Jan 12

MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
Il Cappello di Paglia di Firenze: by Rota. Conducted by Bruno Campanella in a staging by Pier Luigi Pizzi; Jan 15

MUNICH

EXHIBITIONS
Kunsthalle der Hypo-Kulturstiftung
Tel: 49-89-224 412
COBRA 1948-1951: organised to mark the 50th anniversary of a post-war group of experimental artists who derived their movement's name from their three cities of origin: Copenhagen, Brussels and Amsterdam; ends on Sunday

NEW YORK

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
● Jewels: by Balanchine, to music by Fauré, Stravinsky and Tchaikovsky; Jan 10, 14
● Mixed Programme: includes Angelin Preljocaj's La Stravaganza, premiered last spring, and Balanchine's Stars and Stripes; Jan 11

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
● Drawings of Filippino Lippi and His Circle: first major exhibition of work by the Quattrocento painter; ends on Sunday
● The Private Collection of Edgar Degas: sold at auction after his death in 1918, more than 200 19th century French paintings and drawings collected by the artist who once imagined establishing his own museum; ends on Sunday

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● Capriccio: by R. Strauss. New production by John Cox, with sets by Mauro Pagano; Jan 9, 12
● La Cenerentola: by Rossini. New production conducted by James Levine in a staging by Cesare Lievi, with designs by Maurizio Balò; Jan 15
● The Rake's Progress: by Stravinsky. New production by Jonathan Miller, conducted by James Levine. Cast includes Dawn Upshaw and Samuel Ramey; Jan 13

PARIS

CONCERTS
Théâtre des Champs Elysées
Tel: 33-1-49525050
Vienna Philharmonic Orchestra: conducted by Lorin Maazel in works by Schubert, Maazel and Ravel. With flute soloist Wolfgang Schulz; Jan 14

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
La Traviata: by Verdi. Production directed by Jonathan Miller and conducted by James Conlon. Angela Gheorghiu sings the role of Violetta; Jan 10

SAN FRANCISCO

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
● Le Nozze de Figaro: by Mozart. Conducted by Ivor Bolton in a staging by Graziella Sciutti; Jan 9, 11, 14
● Tosca: by Puccini. Conducted by Maurizio Barbacini in a staging by Lotfi Mansouri. Georgina Lukacs sings the title role; Jan 10, 13

VENICE

EXHIBITIONS
Palazzo Grassi
Tel: 39-41-523 1680
German Expressionism: Art and Society. Kirchner is at the centre of this selection of works, dating from around 1910 to the mid-1920s; ends on Sunday

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17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

Philip Stephens

Courageous stand

Mo Mowlam's meeting with loyalist prisoners may not be enough to save the Northern Ireland peace process

Peace now lies with the murderers in the Maze. So it seems, anyway, as the peculiar madness of Northern Ireland takes Mo Mowlam into the province's top-security Maze prison. Later today, the secretary of state will entreat convicted terrorists to prevent the collapse of the three-year-old loyalist ceasefire. Meanwhile, Gerry Adams and the equally murderous Sinn Féin/IRA preen themselves on what passes for the moral high ground.

There is no telling whether the passage of time will declare this latest effort to forestall a sectarian bloodbath a futile gesture. Ms Mowlam says her willingness to speak to those responsible for the random slaughter of hundreds of Catholics is born of determination rather than desperation. Many will judge her foolhardy. Eyebrows have been raised even among her own officials.

I happen to think she is courageous. Ms Mowlam is careless of her own political fortunes. She would prefer to be branded a fool than to let slip the chance of keeping the political leaders of the loyalist paramilitaries in the all-party talks process. That is a rare quality in a politician. And yet it is hard nonetheless to imagine a more depressing acknowledgement of the stranglehold that the men of violence exert over the future of the province.

The glib response to this macabre turn of events is to blame it on the British government. Once Tony Blair shook the hand of Mr Adams in 10 Downing Street, the moral case was ceded. Sup with the political leaders of terrorism and it is hard to be squeamish about sitting down with their footsoldiers. Ms Mowlam will be told by the prisoners that concessions already made to the IRA must now be matched by similar gestures towards loyalists. It cannot be long before Mr Adams demands she also take tea with the Maze's republican killers. Parity of esteem, they call it.

Mr Blair, so this argument runs, should have had no truck with the gunmen and the bombers on either side of the sectarian divide. (Nor for that matter should have John Major's administration.) If the government had confined negotiations on a political settlement to Northern Ireland's democratic parties, Ms Mowlam would not be paying homage now to a bunch of psychopaths. Once you treat murderers as politicians, there is no end to their blackmail.

At this particular stage in the game, it is a superficially beguiling thesis. Whether or not Ms Mowlam persuades the loyalist prisoners that their political leaders should turn up at the resumption of the talks on Monday, the prospects of the negotiations leading to a permanent peace are far from auspicious.

The latest outbreak of violence started in the Maze two weeks ago with the murder by republicans of the imprisoned loyalist Billy Wright. No matter that Wright had broken with the mainstream protestant paramilitaries. Nor that he took a particular delight in the murder of people whose crime was to have been born Catholic. Two more innocents were killed in reprisal for his death. Hardline republicans responded in turn by packing 500lb of high explosive into a town centre car bomb.

> Sup with the political leaders of terrorism and it is hard to be squeamish about sitting down with their footsoldiers

Thus far these tit-for-tat outrages have been cast as the work of splinter groups rather than the big terrorist organisations. Sinn Féin/IRA on the republican and the UDA and the UVF on the loyalist side have disclaimed responsibility. But the security forces are certain that there has been collusion. The line between this "no claim, no blame" terrorism and the resumption of hostilities by the mainstream paramilitaries is perilously thin.

There are other ominous signs. IRA units have been tracked carrying out targetting exercises. Only a certain sophistry has allowed the government to conclude that such manoeuvres do not amount to the "hard targeting" that would disqualify Mr Adams from a place at the negotiating table. As for the loyalists, there is a strong suspicion that there will be more murders before Billy Wright's killing is judged avenged. And that, of course, would give the IRA just the excuse it needs to pin the blame for a breakdown of the ceasefires on the loyalists.

Were republicans and loyalists to stay in the talks for many more weeks, they would also be forced to face up to the unpalatable truth that neither side can win on its own terms. Mr Blair has set a deadline of May for a conclusion of negotiations. The time for convenient ambiguities is passing.

Mr Adams knows that, whatever the deal, it will fall short of a commitment, even on the longest of horizons, to a united Ireland. A settlement would modernise the union, not break it. Yet Gary McMichael and David Ervine on the loyalist side must also realise they would be obliged to accept some role for the Dublin government in the affairs of the province.

For all the intractabilities, and for all the probability (though not certainty) that it is a matter of time before the process fractures, Ms Mowlam is right to persevere. Here is why. However attractive the proposition that the paramilitaries should be treated as common criminals rather than reasonable politicians, the chances of a durable settlement without them stand at close to zero.

There would be nothing nicer than to imagine a scenario in which the moderate Ulster Unionists and the nationalist SDLP step out of the shadow of the gunmen to hammer out a solution equitable to unionists and nationalists alike. In a world without history it would be an entirely plausible prospect.

Northern Ireland is not like that. It is a place where moderates have long been in the thrall of extremists, where rational decision is forever held hostage to sectarian mistrust. David Trimble, the unionist leader, acknowledged as much when he met the Maze loyalists face-to-face earlier this week. Nor, as some believe, is there a new bargain that can be imposed either by the British government alone or by London and Dublin jointly.

There may well come a moment when the province's mainstream politicians feel strong enough to defy republicans and loyalists alike. But we are not there. The alternative to the present process, however unpalatable it sometimes seems, is a return to the mindless violence of the 1970s and 1980s. Ultimately, Ms Mowlam may be powerless anyway to prevent it. But she is right to try.

Personal View · *Dominique Moïsi*

Right man on wrong path

Lionel Jospin should beware of mixing ideological reason with political calculation

Old Labour in France bears only passing resemblance to New Labour in the UK. The subdued charm and serious, middle-aged demeanour of Lionel Jospin, the French prime minister, do not evoke the charismatic energy or youthful smile of Tony Blair, his UK counterpart. Yet both men are still popular in their own countries, a fact more surprising in France than in the UK, given the comparative economic performance of the two nations.

After six months of Socialist experiment in France, Mr Jospin gives the impression of being the right man for the job. But, on some issues at least, he is going in the wrong direction. The prime minister may be confronting his most serious challenge if the protest of the unemployed, reacting out of despair, gets out of control.

For the moment, Mr Jospin still conveys an image of modesty and honesty that contrasts sharply with the cynical years of the Mitterrand era and the arrogant, technocratic behaviour of Alain Juppé, his immediate predecessor. His attempt to rehabilitate politics in the eyes of French citizens – to say what he will do and to do what he says, in the words of one of his electoral promises – has earned him a long honeymoon period.

But there is a danger that he is taking the wrong path, for a combination of ideological reasons and political calculations.

The plan to cut the maximum working week from 39 to 35 hours, imposed by the Socialist majority against the wishes of many employers, does not make sense economically. There is little chance it will have a serious impact on unemployment, which is the government's most serious challenge. The law reflects, above all, a belief that the state should play a strong role in the economy, a view that differs radically from that of the rest of the European Union and the west in general.

The idea that central government, as opposed to market forces, can be held directly responsible for the creation of jobs is outdated. However, such an ideological vision is linked to simple political calculations. It is probably in tune with the feelings of most French people, who want to be protected by the state from long working hours as well as from foreign immigrants.

Whereas the left in power could have taken a moral line on the question of immigration and a realistic one on its economic programme, it took a different road. In effect, it opted for realism on the sensitive issue of immigration by refusing to depart radically from the wishes of the conservative majority, while instead appearing to make ideological choices on the way to deal with unemployment.

It remains to be seen whether the French prime minister will prove to be more pragmatic or more ideological. Whatever the answer to this fundamental question, Mr Jospin benefits from the fact that most French people like the cohabitation system, in which a president of one political party works with a government of a different political persuasion, even if they consider it hampers French influence in Europe.

Having failed to achieve a new type of balance between the executive and legislative power, they have in practice created a new balance between the two branches of the executive: the presidency and the prime minister.

For a combination of personal, institutional and political reasons, never has presidential power been so weak in the Fifth Republic. So far has the balance tipped that the present balance of power between the president and his prime minister is probably contrary to the spirit of the constitution.

Because last year's early dissolution of parliament turned into a political fiasco for Jacques Chirac, the president, and his conservative majority, Mr Chirac lost much political support within his own camp. It would probably be an exaggeration to compare the condition of the French right with that of the UK's Conservative party, but it is in a poor state. Deeply divided and without an obvious leader, its credibility has been eroded by the continuing rise of the extreme right.

Uncontested by a weak opposition, the governing coalition is limited in its ability to act – fortunately, some critics would say – because of its strong commitment to the planned single currency. So much so, that on important European issues, it is difficult to distinguish between Mr Jospin's government and that of his predecessor. Most French people acknowledge there is no serious alternative to the European Union. This is the most important guarantee for the stability of the cohabitation: the president and prime minister are married to each other by Europe, as illustrated by their tacit agreement to adjust the French constitution to the Maastricht treaty without a referendum.

But, even though the French seem less gloomy than six months ago, the country has not come out of the crisis of confidence over the shape of its future. When assessing the condition of France today, one must distinguish between the dynamism, competitiveness and entrepreneurial spirit of many companies and the relative rigidity of the state. France, for better or for worse, has a lot more "state" than the rest of Europe.

If the French state cannot be reformed from within, is the solution its slow erosion through Europe? This would be an ironic result for a country that, for decades, saw in Europe a vehicle by which it could maintain French influence.

The author is deputy director of the Paris-based Institut Français des Relations Internationales. He writes here in a personal capacity

·LETTERS TO THE EDITOR·

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Zeitgeist clue to long-term brand survival

From Ms Samantha Zaft.

Sir, Lord Saatchi is correct in pointing out that only eight of the 100 top US companies in 1900 exist today, and that brands grow and succeed on simple emotional appeals ("Battle for survival favours the simplest", January 5). However, he does not provide answers to his central question of how a brand is to retain market share and emotional appeal over periods of emotional change, let alone the succeeding emotional revolutions that occur over decades.

The answer is that brands should transfer the emotions they "own" from one product to another as the Zeitgeist changes. Lord Saatchi's contention that a brand should strive to produce simple emotional identification with its product is correct as far as it goes, but only certain areas command certain emotions at any one time.

The closing of the Spam factory in the UK demonstrates that the mechanically-retrieved pressed meat market no longer commands the emotions of wholesome frugality that it once did so effectively. The same process is inevitable in all sectors. So the present dominance of chocolate bars as "hunger satisfaction" has only one certainty, and that is that it will end, caused, maybe, by a "great chocolate scare".

Companies that do maintain market share and stay successful are those that own core values and transfer these from product to product as time goes on. Homepride, the UK foods concern, is a company where the emotional appeal of home cooking pride invested by the nation in its flour and baking products no longer existed. Its successful response was to innovate within the brand into cook-in sauces and spices to produce world cuisine at home, so shifting emotions of home baking pridefrom one product to another as the Zeitgeist moved.

Advertising agencies tend to focus on flash-in-the-pan brand success, but the long-term future requires safer hands and a robust brand strategy for the medium-term. Emotional appeals alone cannot be held up as the secret of success.

Samantha Zaft,
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Guaranteed

From Mr George Bain.

Sir, I have read several of the comments made about George Soros's article ("Avoiding a breakdown", December 31) and find that neither these writers, nor Mr Soros, seems aware that an organisation such as he suggests already exists!

While currently limited to certain risks, the Multilateral Investment Guarantee Agency, part of the World Bank Group, might readily be expanded in its charter to accommodate the Soros proposal.

George Bain,
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Cross-shareholdings must be banned

From Mr Ken Takasu.

Sir, With regard to the various reported efforts by Japanese authorities to support the Japanese stock market ("Japan cracks down on stock market abuses", January 7), it appears to be a clearly futile effort. The short-term consequences of a plummeting Nikkei index may be disastrous but it should finally mark the end to the various problems affecting the country's "real" economy.

Japanese commercial banks must be prohibited from owning shares in industrial companies. When owners of shares do not benefit through increases in entity value (capital gains) or a dividend payout, but by "insider information", which permits "safer" loans, then corporate governance fails.

Other institutional investors, such as pension funds with a long-term and active interest, should take over. This type of cross-shareholding of shares in Japan, especially by commercial banks, has often been attributed to the lofty share prices. Elimination of cross-shareholdings by banks will lead to a needed decline in prices to "international" levels. Markets will find the appropriate level.

It appears that any hope of maintaining present share prices must be met by a dramatic one-time increase in reported earnings – as interest rates cannot fall much further – by, say, eliminating tax loopholes, which encourage firms to report earnings at small subsidiaries that have light taxation.

Nevertheless, the future of the Nikkei looks bleak but is the most needed remedy facing Japan now.

Ken Takasu,
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European parliament holds key role in enlargement

From Mr James Moorhouse MEP.

Sir, In your excellent survey of the British presidency of the European Union (Europe: The State of the Union, January 5), you correctly identified enlargement of the Union as one of the key issues to be tackled over the next six months.

Your survey makes clear that enlargement is a hugely complex and protracted process, which will take many years to complete. What it might usefully have added is the important role of the European parliament in bringing about a successful outcome.

The European parliament's involvement in the Union's enlargement is significant in two respects. First, no country can be admitted to the Union unless the parliament gives its consent. This confers on the parliament not just an absolute power of veto, but also a significant influence over the negotiations themselves.

Second, the parliament has a unique role to play in upholding the principles which undermine membership of the EU. It is the only European institution that is directly elected, transparent and accountable. In contrast to the Council of Ministers, which is often perceived as a secret forum for political horse-trading, the parliament's decisions strongly reflect common values, public opinion and the consciences of its members. The parliament will be a credible advocate in explaining to the Turkish government, for instance, that its application for membership of the EU has not fallen victim to prejudice or political dealing; no country can be considered for membership unless it is a liberal democracy that protects the human rights of its citizens. Sadly, Turkey is still far from meeting such a standard.

Everyone concerned with enlargement would be well advised to pay attention to the European Parliament's role.

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FINANCIAL TIMES

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Friday January 9 1998

Politics and the president

The surprise nomination of Jean-Claude Trichet, head of the Banque de France, for the presidency of the European Central Bank was a nasty shock to politicians in the rest of Europe. A proposal to give Mr Trichet and his rival, Mr Duisenberg, a four-year term each in the top job is now gathering steam. The affair has damaged the credibility of the ECB. The compromise solution, though, could make matters worse.

The European Central Bank was constructed to be a model of central bank independence, a kind of super-Bundesbank. The rationale was that the more independent the central bank, the quicker it will be able to establish its credibility.

But the enthusiasm for this degree of independence has come primarily from Germany. France wanted the ECB to be more accountable to politicians.

This is why Paris has been pushing for the "Euro-X" club, which it hopes will provide a political counterweight to the central bank. And this may also be part of the reason why France nominated Mr Trichet to be the first head of the new central bank.

This nomination has politicised the selection process, making appointment of either candidate very sensitive. The compromise solution, whereby Trichet and Duisenberg would each take one-half of the eight-year term, could bring a speedy resolution without any country suffering embarrassment. However, this solution has some serious drawbacks.

First, a four-year term is a very short one. There is a risk that both candidates will be viewed as lame ducks, with no time to build up their own credibility. And a change in the central bank president so early on in the lifetime of the euro would undoubtedly increase uncertainty, even though there are very few differences in the policy stance of the two candidates.

Second, the compromise would clearly be a purely political decision. This would undermine the perception of the ECB as a body independent of political influence, which will make it far more difficult for it to build up credibility.

The best solution now would be to choose – quickly – a single candidate to fill the whole eight-year term as president. But this will not guarantee a smooth ride ahead.

The battle over the presidency has shown up the strains in the Franco-German relationship. There are deep-seated differences in the two countries' economic priorities and in their views about the role of government. These differences risk causing further problems as the institutional structures supporting Emu develop in the years ahead.

Alarm in Jakarta

After South Korea, Indonesia has become the latest Asian country to see its currency and equity markets in free fall. But with the government of President Suharto clearly way off the mark in meeting the conditions of its International Monetary Fund rescue programme, it is much harder to see how Indonesia can be helped by the international community.

Though there is still a long way to go, the turning point for South Korea came when a newly elected president was able to make credible commitments on economic reform. Those commitments enabled the International Monetary Fund and leading industrial countries to justify extra assistance to stave off default.

A similar decision in Indonesia's case would be harder in the best of circumstances. Indonesia's debt is large, like that of Korea; its fragile unity and strategic importance makes for concern about political and civil unrest. But Indonesia is also a smaller economy than Korea; it is not a proper democracy; and its poor record on human rights has aroused the ire of international lobby groups. Above all, it no longer appears to have a leader able to make a credible commitment to reform.

Mr Suharto's record on handling the latest crisis is dismal. His silence yesterday as the markets crumbled and panic-buying hit the shops was deafening. The economy is increasingly rudderless, and the latest budget, which is based on unrealistic assumptions about the exchange rate, growth and revenues, openly flouts targets laid down by the IMF.

Reforms of the financial sector and curbs on expensive projects have been halted or even reversed where they conflict with business interests of members of the presidential family. Given Indonesia's legal and regulatory weaknesses, there are doubts about its institutional ability to deliver structural reform. Amid the mounting chaos there are signs that political support for President Suharto is waning.

The choice facing him now is stark. If he wants the haemorrhaging of the markets to stop, he must come out clearly with a commitment to reform, backed up by immediate action which makes that pledge credible. If he cannot do so, he must consider stepping down in favour of someone who can.

The alternative is further descent into chaos, and almost certain default. That might cut Indonesia off from foreign capital for years. It would be painful for creditors, but the pain would be more bearable than the problems created by writing a blank cheque to a government that refuses to put its own house in order.

Blair's dome

The millennium awakens the human taste for superlatives. Pope John Paul II is planning the biggest religious celebration. France intends – in turning Paris into a genuine city of light – to perfume the waters of the Seine, and fill them with multicoloured plastic fish. A wooden tower will rise on the riverbank; the Eiffel Tower will lay an enormous luminous egg on December 31, 1999.

Britain's Tony Blair has loftier aims, but has attracted, if anything, even greater criticism. He wants to create the finest exhibition the world has seen. Inside a dome now being built at Greenwich, beside London's river Thames, the Labour government intends to mount a £758m year-long "experience" devoted to the future of human society.

For its critics, the dome has come to symbolise much that is wrong with Britain. The secrecy surrounding its content is seen as symptomatic of a closed society; its impermanence as evidence of short-termism; its cost, more than half to be met by the national lottery, as an insult when benefits to single parents are being cut; its location as a centralist bureaucracy's choice; its quasi-theme park nature as proof that Britain is not serious about high culture. Above all, it is taken as a indication that Mr Blair and the minister responsible, Peter Mandelson, are getting above themselves.

There was a strong case for dumping the dome after last May's election. The project was a shambles. Its main designer had quit, the organisation was in a mess and there was nothing to put in the dome. The cost had risen by £200m. Many in the Cabinet wanted to cancel it. "New Labour, New Millennium" was, however, too tempting a prospect. The government rescued it, and the first results of the rush to fill it meaningfully will be revealed the the public next month.

In the circumstances, it is time for Britain to give the project the benefit of the doubt. It is too late to replace it with a convincing alternative. Constructive criticism should aim to make the "experience" as fulfilling as possible. That does not mean suspending critical judgment. The companies being tapped for sponsorship should provide it only where they see commercial benefit, and the Commons culture committee must continue its scrutiny, particularly to guard against escalating costs.

The government is backing its judgment that, come 2000, people will be seeking a focus and an enlightening place to visit. The project could yet prove an enjoyable act of public education. Britain managed to celebrate intelligently at the Great Exhibition in 1851 and the Festival of Britain in 1951. It would be a pity if it lacked the ability to do so at the millennium.

Genetic feast or famine

Designer crops, from maize to soyabean, are spreading with phenomenal speed – except in Europe, says **Alison Maitland**

Flocks of genetically engineered sheep clones, DNA testing of people by insurance companies, even talk of human cloning – all these raise popular worries. But of all the uses of genetic engineering, the most common and fastest growing is taking place down on the farm. Last year about 30m acres around the world were planted with crops genetically designed to survive pests or disease. That was six times the acreage in 1996.

In the US, nearly one acre in seven of the soyabean harvest was grown from genetically modified seed, up from one in 50 in 1996. China is thought to be growing more than 4m acres of genetically modified tobacco and tomatoes. Argentina, Canada, Australia and Mexico also have commercial crops.

But there is a noticeable absentee from the genetic feast: Europe. Up to now, no transgenic crops have been planted commercially in the European Union. There are many trial plots, but nothing grown in Europe has yet reached the shops. Nor are there many imports.

The EU's approval process for novel crops is slow, causing tensions with US suppliers who want to boost European sales. The regime is actually getting stricter. New proposals by the European Commission seek to toughen the licensing conditions for new crops and build "ethical considerations" into the approval process.

So why is Europe reluctant to embrace genetic agriculture? And what effect is this having? EU policies have been driven by two main concerns: the environment and consumer choice.

Environmental alarm over modified crops includes:

- The danger of creating "superweeds" resistant to pests or herbicides. Experiments by French scientists have shown that herbicide-resistance genes inserted into oilseed rape can escape into other plants (for example, weeds) and persist for generations.
- The impact on organic farming. Organic farmers are concerned at biotechnology's adoption of the "Bt" gene, derived from a soil bacterium that they commonly use as a "natural" pesticide. They fear insects will develop resistance to it.
- The possibility that antibiotic resistance in the insect-killing maize developed by Novartis, the Swiss pharmaceutical company, could spread into livestock, and from there to humans. Austria and Luxembourg have banned imports of the maize, even though the EU has approved it.
- The risk that beneficial predators of crop pests could be harmed inadvertently. Scientists at the Scottish Crop Research Institute and Cambridge University have found ladybirds' reproductive success is damaged and the females' lives shortened by an insecticidal protein obtained from snowdrops and inserted into potatoes to fight aphids.

"This is a warning," says Derek Burke, a biologist and former chairman of the UK government's advisory committee on novel foods. "We're going to have to be very careful about the environmental consequences, which are probably a bit more complicated than we scientists used to think."

As for the issue of consumer choice, many say that food made with genetically modified crops should be clearly labelled as such, and should not be permitted for sale unless it is. But problems have arisen since the EU last year approved imports of modified soyabeans, a crop used in about 60 per cent of processed foods, much of which comes into Europe from the US.

The European food industry has pressed for herbicide-resistant soyabean produced by Monsanto, the US food and chemicals group, to be separated from conventional crops at source, enabling products made with it to be labelled separately. The US industry has refused to do this, saying it would cost too much.

Modified soya cannot easily be detected once it is made into processed food. Tests for transgenic material are available to the food industry, but none has yet been independently validated, according to the UK's Leatherhead Food Research Association. In any case, tests cannot rule out the presence of transgenic material at very low levels, says Angus Knight, molecular biologist at Leatherhead.

To play safe, the European Commission has proposed that foods containing soya or maize should be labelled if modified DNA or protein is detectable in them – or if the presence of modified ingredients cannot be ruled out. But it has so far failed to win backing from member states. This has further delayed clear guidelines for the industry, which is pressing ahead with its own voluntary labelling policy.

The arguments of lobbyists and the actions of legislators are echoed by many consumers. A survey of opinion in the EU has shown that the public, shaken by the crisis over "mad cow disease", dislikes genetically engineered food more than biotechnology on people for medical purposes. True, consumers in the UK have been buying clearly labelled modified tomato paste, which is cheaper than conventional paste. But on the whole, says one EU official, "the problem for the industry is that a lot of consumers are worried about their products. If people don't buy them, there's no reason for the biotech industry to produce them."

If, then, bio-engineering is likely to be held back in European farming, what difference would that make? Consumers might lose out on home-grown novel foods – such as potatoes that make low-fat chips or broccoli that helps prevent cancer – though these could be imported.

More serious could be the impact on producers. EuropaBio, a body representing the European biotechnology industry, gives one measure of both the opportunity and the potential opportunity cost. It predicts that the European market for modified crops could be worth Ecu105bn ($94bn) in 2005 if public and government opinion swings behind them. But, it claims, the market could wither to nothing if the legislative environment becomes overtly hostile. Backers of biotechnology say that, worldwide, it could reduce the annual $31bn agrochemicals bill and save staple crops in developing countries from pests and drought.

Monsanto, the *bête noire* of environmentalists, says higher yields and lower chemical treatments have saved US growers of its boll weevil-resistant cotton plants $33 an acre.

The possibility of forgoing such benefits worries some EU member states. Claude Allègre, French research minister, says that "over-cautious" EU rules could impede competitiveness. "I would hate French farmers not to be able to grow transgenic maize while American maize is being imported into France." His government has agreed to let French farmers grow an insect-resistant maize developed by Novartis, the Swiss multinational.

European competitiveness is not the only thing at stake. There is also the matter of feeding the world's growing population. The Washington-based International Food Policy Research Institute believes that, if the EU restricts the use of genetic engineering, it could put a damper on the development of agricultural biotechnology worldwide. That, it warns, could jeopardise food security in the developing world.

The battle is about more than just the profits of agro-industrial groups or the reliability of transgenic testing. The fight for European acceptance of genetic agriculture could have an effect around the world. At the moment, the sceptics appear to have the upper hand.

Seeds of discontent

In the US, genetically engineered crops do not face anything like the European regulatory hurdles. Crops from potatoes to oilseed rape have been commercially available since the mid-1990s.

The take-up by farmers has been impressive. By 2000, Monsanto, the St Louis-based company, thinks that more than 100m acres could be planted with such crops, five times the current level.

Even so, these products have not escaped controversy. As companies have staked out positions in this growth industry, a rash of takeovers and alliances has occurred. Big biotech and chemicals companies, such as Monsanto or Dupont, have tied up with seed companies, like Holden's or Pioneer Hi-Bred.

Lawsuits have resulted. In October, Rhône-Poulenc, the French company, accused Monsanto and its 40 per cent-owned DeKalb Genetics associate of stealing the critical technology used in the development of Monsanto's new "Roundup Ready" maize. Due to reach the market in 1998, this is engineered to tolerate Monsanto's best-selling Roundup herbicide while surrounding weeds die. Monsanto maintains that it and its partner were within their rights and the lawsuit has no merit.

Some results from genetically engineered crops have also disappointed. In Mississippi, farmers planted cotton – a crop particularly susceptible to insect damage – that was supposed to tolerate the Roundup herbicide. But some growers allege the resistance was not fully effective and that up to 40 per cent of their crops were lost.

Robb Fraley, co-president for Monsanto's farming products, admits that there was a problem. But he maintains that it was localised and possibly the result of abnormally high temperatures at a crucial point in the growing season.

Questions over the economic value of some genetic engineering underlie a public dispute between Pioneer Hi-Bred, the biggest producer of seedcorn, and Monsanto. Pioneer is refusing to bring to market the new Roundup-resistance trait in maize seed, claiming the terms demanded by Monsanto do not reflect the product's value.

Monsanto claims Pioneer is simply trying to negotiate a better deal.

Nikki Tait

· OBSERVER ·

Crisis on fast track

■ Jakarta tends to be quiet during Ramadan, the Moslem religious festival. Indonesians are generally relaxed about Islamic observances, but they do take Ramadan seriously, which means fasting from dawn to dusk. So many are a bit distracted, if not downright irritable, for much of the working day.

Taxi passengers keep an eye on drivers in case they nod off while they overtake buses. If an official or a manager can't be found, there's a good chance he's gone for a nap or for extra prayer. At the end of the month, millions of Jakartans disappear to their ancestral villages to celebrate the end of fasting.

Which may explain why government officials are being remarkably passive as the rupiah goes bungee jumping without a rope and drags the stock market along. There have been no radical measures to restore market confidence, other than a draft budget that even its supporters say is optimistic.

Western bankers say they can't get hold of officials to talk about a collective restructuring of private debts, as happened in South Korea last month, and have to watch helplessly as their Indonesian clients default on loans. Maybe the only hope for the rupiah is if currency traders go on a forex fast – and abstain from dollars.

Snow trouble

■ The organisers of Japan's winter Olympics, which start next month at Nagano, have spent much of the new year at shrines praying for snow – the games are being held at the lowest altitude in Olympic history, and the ski runs have looked decidedly rocky lately.

Yesterday the heavens responded with one of the heaviest snowfalls in years, but the surfeit of white stuff isn't without side-effects. The supposedly weather-proof Olympic torch, which is being relayed across Japan, has been blown out by the wind four times this week. Observer hopes it's not an omen.

Message follows

■ Paraguay's President Juan Carlos Wasmosy thought he had got away from it all in the upmarket Uruguayan resort of Punta del Este. His mood can only have been improved by knowing that his bitterest enemy, former army chief General Lino Oviedo, was 1,000 km away, safely under lock and key back home in Asunción.

Fed up with the maverick general's persistent accusations of corruption, Wasmosy slapped a 30-day detention order on him for "insulting the presidency". Oviedo gave himself up after a spell in hiding, apparently reassured that he wouldn't be poisoned in detention.

The two men loathe each other as only fellow members of Paraguay's ruling Colorado party can. The president, who accused the general of trying to instigate a coup against him in 1996, is working to stop Oviedo becoming Colorado candidate in May's presidential elections.

Wasmosy can't have been pleased when he looked out of his window in Punta to see a light aircraft above the beach trailing a large banner reading "Oviedo for President".

Swiss swizz?

■ Who was Switzerland's man of the year in 1997? If Tommaso Ramundo, a 25-year-old student, had got the answer right on the TV quiz show Risiko, he could have won SFr95,000. But he got it wrong, and might go to jail.

In a country where few can even remember the name of the country's head of state, poor old Ramundo could have been forgiven for naming Viorel Moldovan, top goal scorer at Zurich's Grasshopper's football club, as man of the year.

However, Moldovan was the answer to the next question but one, prompting suspicion that there might be a simpler reason for Ramundo's winning streak than his posh St Gallen university training.

Ramundo insists that it was coincidence, but he's to be prosecuted for cheating, which is easier than you'd think – for some reason, state-owned Swiss TV tests its questions on potential contestants for another quiz show a few hours before Risiko goes out live.

Switzerland has yet to jail anyone for money laundering or insider trading, but Ramundo might end up behind bars for cheating a quiz show. That's life.

Love game

■ So what do teenagers do when they're too old for those irritating, overpriced Tamagotchi virtual pets? One answer might be My Lover, a new gadget which allows the owner to court a virtual partner with virtual flowers, chocolates and karaoke dates. The reward is virtual kisses and even virtual marriage – though not, it seems, virtual hanky-panky. Lack of attentiveness can result in defection to a virtual rival.

It's gone on sale in Hong Kong and there are plans to export it to Europe and North America. Time to head for Antarctica.

Financial Times

50 years ago

Stabilising The Franc
Paris, 8th Jan. M. René Mayer, Minister for Finance and Economic Affairs, in his broadcast to-night implicitly confirmed the many Press reports of an early legal or actual devaluation of the franc by stating, with reference to the forced loan, that "additional measures will soon be taken which will prepare for the stabilisation of the currency and allow of the resumption of exports and an increase of imports." In M. Mayer's view, it is indispensable that France should hold the line until the new harvest is in and the stabilisation of prices attained.

Marshall Plan Welcomed
While details of the proposed allocations of food, machinery and tobacco to Britain under the Marshall Plan were naturally welcomed yesterday, it was stressed both in official and industrial circles that the plan is tentative and flexible and it is, therefore, impossible to give any considered view of its effect on our economy. Moreover, Congress is only being asked to approve shipments for the first 15 months of the four-year programme, so that ultimately the allocations may be very different from those now suggested by the U.S. Department of State.

FINANCIAL TIMES
Friday January 9 1998

BBC to auction rights to archive rock recordings

Artists include Rolling Stones and Jimi Hendrix

By Alice Rawsthorn in London

The BBC is planning to auction the rights to release vintage 1960s' and 1970s' recordings by some of the world's best-selling rock stars including Jimi Hendrix, The Who, Pink Floyd, Genesis and the Rolling Stones.

The classic rock recordings have been hidden for years among thousands of hours of music in the BBC's archive.

The deals are likely to prove lucrative for the BBC, as releases from its archive have achieved extremely high sales. The Beatles Live At the BBC has sold 5m copies worldwide for EMI since its 1994 debut, and BBC Sessions by Led Zeppelin, released on Time Warner's Atlantic label, sold more than 1m copies in its first month on sale in the US late last year.

The availability of unreleased archive material by such popular acts as Jimi Hendrix, The Who and the Rolling Stones will stimulate considerable interest from record companies.

Ownership of the rights to the recordings, mostly made for Radio 1 or BBC World Service, varies. Typically, the BBC owns the recording rights while the performance rights belong to the artists or their managers and, in some cases, to their record companies.

John Willan, director of BBC Music Worldwide, said that, wherever possible, the BBC planned to auction the rights to each release by inviting bids from record companies.

The BBC realised the commercial potential of the archive recordings after the release of Beatles Live At The BBC. Mr Willan was hired by BBC Worldwide two years ago to exploit the potential, and he began by renegotiating numerous deals made by different parts of the BBC to recover its recording rights.

That process was largely completed last autumn, and the BBC's archivists have since scoured its vaults for marketable material. Mr Willan said the BBC envisaged releasing "two or three" albums from high profile acts a year, providing it could secure the artists' agreement.

Negotiations have started over the Rolling Stones and Jimi Hendrix recordings. Mr Willan met the late Jimi Hendrix's sister yesterday. The BBC will also have to consult the estate of Alexis Korner, presenter of the BBC World Service programme for which the music was recorded, which is entitled to a share of the rights.

The BBC is trying to determine the ownership of its Rolling Stones material, recorded between 1964 and 1968, the discovery of which was announced this week. It has held informal discussions with Allen Klein, the band's former manager, and recently approached its current management company.

Global fall in project finance reflects Asia crisis

By Andrew Taylor, Construction Correspondent

Global private-sector lending to power, telecommunications, water, transport and other infrastructure projects fell by almost a third last year as the currency crisis deepened in south-east Asia.

The value of project finance deals completed last year fell to $151.47bn after a record $223.9bn in 1996, according to a survey of 800 international banks.

Asia-Pacific, the world's busiest construction market in the 1990s, was one of the worst-hit regions. The total value of deals more than halved from $76.26bn in 1996 to $34.47bn last year.

Banks warned that the figures, to be published today by the London-based Project Finance magazine, included some corporate refinancing by energy and telecommunications groups as well as privatisations that may have distorted comparisons.

But most banks accepted that there had been a decline in demand for funds for "pure" non-recourse or limited recourse project finance since the currency crisis.

Projects cancelled or postponed in the second half of last year include a $3.7bn contract with Hong Kong-based Hopewell Holdings to build a mass transit system in Bangkok and the $4.6bn Bakun dam in Malaysia.

Indonesia has also postponed the development of more than a dozen proposed power plants as well as announcing delays on road, bridge and refinery projects.

Kevin Files, head of project finance at HSBC Investment Bank, said: "The market slowed down considerably as the year progressed as deals were put on hold. It is difficult to see how schemes can progress while national governments remain preoccupied with meeting strict budgetary targets and foreign investors remain concerned about credit and currency risks."

Peter Luchetti, global head of project finance for Bank of America in San Francisco, said: "It seems inevitable demand for project finance will fall further in Asia this year. The big question is the extent to which the regional crisis may have a knock-on effect on the rest of the global economy."

Geoffrey Spence, head of utilities, PFI and telecoms for the project and export finance department of Deutsche Morgan Grenfell, said increased demand for project finance in other regions should more than compensate for the downturn in south-east Asia.

Hard times for banks, Page 7

Indonesian rupiah falls

Continued from Page 1

would need to raise rates from their current level of 9.5 per cent to protect margins, given the high level of interbank rates. Worries about Asia continued to ripple through western stock markets, and on Wall Street, the Dow Jones Industrial Average had shed nearly 100 points by 1pm New York time.

Meanwhile, the yen slipped slightly in the wake of the meeting of Eisuke Sakakibara, Japan's vice-minister of finance for international affairs, with US Treasury and Federal Reserve officials. However, there was no sign of the co-ordinated intervention to support the yen, which has weakened sharply in recent days.

Art seized

Continued from Page 1

among Jewish pre-war collectors but were banned by the Nazis and remained relatively obscure after 1945. Mr Leopold bought Schiele paintings at very low prices in the 1950s and made a fortune as the art world rediscovered the Viennese artist, who died in 1918.

The history of the two disputed paintings is murky. Portrait of Wally is claimed by the family of Lea Bondi Jaray, a Jewish art dealer who fled Vienna in 1938. Dead City is claimed by Rita and Kathleen Reif, heirs of Fritz Gruenbaum, who died in Dachau concentration camp.

Netanyahu sends mixed signals on West Bank troops

By Judy Dempsey in Jerusalem

Benjamin Netanyahu, the Israeli prime minister, yesterday said he would announce the size of an Israeli troop withdrawal from the West Bank before he meets President Bill Clinton in Washington on January 20.

But Mr Netanyahu created further confusion about his real intentions by adding that the agreed pull-back would have to wait several months until the Palestinians dealt with the issue of terrorism.

Israel and the Palestinians agreed to a three-phase troop withdrawal under the 1995 Oslo accord. The Palestinians rejected the first pull-back offer, announced last March, because it was far less extensive than they had expected. The second withdrawal under the accord is also long overdue.

The prime minister's remarks to leaders of his seven-member coalition government followed a day of contradictory statements as he sought to reconcile the two extreme wings of his coalition – one favouring a substantial and swift redeployment, the other opposing any pull-back at all.

He told Jewish parliamentarians from abroad that he did not intend to stand still on the Middle East process, calling on his hawkish coalition parties to "join me and if you don't, you'll part with me".

Later he said that Israel needed to bolster security because peace treaties with its Arab neighbours were not enough.

Mr Netanyahu was last night also trying to head off another revolt within his government following the resignation of David Levy, the foreign minister, last Sunday in protest at economic policies and foot-dragging in the peace process.

Yitzhak Mordechai, the defence minister, said he would resign if there was no pull-back from the West Bank within three months.

If Mr Mordechai fulfils his threat to quit, the government would lose its wafer-thin majority – it currently commands 61 out of the 120 seats in the Knesset.

Analysts believe the scope and implementation of the troop redeployment will be the issue that could break the government.

Mr Netanyahu, according to his advisers, wants to give back about 8 per cent of land to the Palestinians, but the US wants at least a double digit figure while the Palestinians want at least 25 per cent.

Only 3 per cent of the West Bank is under complete Palestinian control.

Economic gamble, Page 7

THE LEX COLUMN

Level pegging

The latest wave of Asian devaluations has turned the spotlight back on the Hong Kong dollar. Not only is Hong Kong becoming less competitive; so is mainland China. The fear is that, with China's economy already slowing, Beijing will be tempted to authorise a devaluation of the remnimbi to stoke exports. And, if that happens, the Hong Kong peg will collapse.

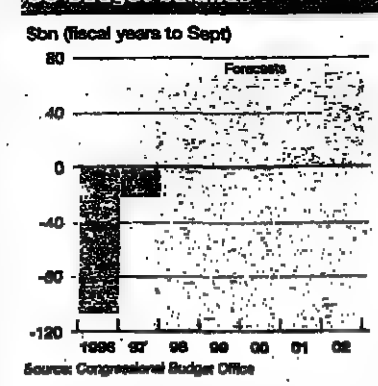
Maybe. But so far the currency is rock solid. Of course, the higher interest rates needed to defend the peg are inflicting pain on the economy and the stock market. But rates are still lower than last October when the currency was last tested. Moreover, while the Hong Kong dollar now looks overvalued, the economy's astonishing flexibility means that prices are quickly falling to help restore competitiveness. Property prices, in particular, are collapsing – cutting rents and hence the cost of doing business in Hong Kong.

The carnage elsewhere in Asia must have strengthened the will of the authorities to defend the peg. Any tinkering could, in the current febrile atmosphere, provoke a stampede out of the currency by Hong Kong residents.

If, of course, China devalues – or even if residents begin to take such a prospect seriously – all bets will be off. But that seems unlikely. Not only is it unclear whether devaluing the remnimbi would do much to boost Chinese growth but the economy is still growing in the high single digits. Those betting against the Hong Kong dollar will probably get burnt.

FTSE Eurotop 300 index
1007.5 (-10.7)

US budget balance



Source: Congressional Budget Office

US economy

The US budget deficit is officially dead. According to the latest estimates from the Congressional Budget Office, the federal government's budget is expected to be more or less in balance over the next decade. There is even a chance of a significant surplus this fiscal year – the first for nearly 30 years.

Washington's politicians are already squabbling over how to spend the spoils rather than asking whether it is prudent to do so. With Congressional elections later this year, the Republicans are advocating tax cuts, while President Bill Clinton favours extra spending, such as his recent proposals to extend Medicare and childcare programmes.

This leaves investors facing a tricky judgment. A budget surplus (or even smaller than expected deficits) will restrict the supply of new government borrowing and add to national savings – which has already helped drive bond yields to new lows. But given the inexorable pressures on spending, driven by an ageing population, it is questionable whether any surplus will be sustainable. The budget office believes so, but its projections do not take business cycles into account. Where it was regularly too pessimistic in the past, it may now be too optimistic. The risk facing bond market investors, therefore, is that by the time the economy slows and the prospect of a regular budget surplus recedes into the distance the politicians will already have spent something they never really had.

Rolls-Royce

What better evidence of the strength of the Rolls-Royce brand is there than a rum collection of high-rolling car lovers pitting itself against three German carmakers to buy the peerless marque? For Vickers, any competition for BMW would be welcome, particularly from a potentially high-bidding and emotional Rolls-Royce Action Group. As main engine supplier to Rolls-Royce, the Bavarian group's inherent advantage over other bidders has looked at times like an auction-killer. After all, if BMW stopped supplying new engines, rival bidders could face hefty retooling charges.

The high-rollers, however, should not be dismissed out of hand, particularly if they can structure the deal as a credibility-enhancing management buy-out. Given that the carmaker's management might not be retained by another trade buyer, this is not impossible. That said, it will be tough to raise £350m-£400m to buy the company, and substantially tougher to sustain investment. Rolls-Royce Plc – which regards itself as guardian of the brand – will balk at any bidder without sufficient financial strength to ensure the marque has a long and unsullied future. Given Rolls-Royce plc's preference for BMW – with which it has an aircraft engine agreement – its consent will not be easy to win.

But as the Cinven-backed management buy-out of IPC this week demonstrated, trade buyers cannot afford to relax when highly prized assets come to the market.

Slimming yoghurt

Scotia must be thanking its lucky stars that it is so much easier to bring a new food ingredient to the market than a new drug. A couple of weeks ago its shares slumped after its diabetes drug was blocked by regulators. This week it has regained some ground with its appetite suppressing yoghurt. For this goody, no awkward clinical trials or regulatory approvals are needed. Of course, tests are carried out, but they can be selectively reported for marketing purposes.

The "feelgood" yoghurt certainly presses the right subjective buttons. The market for slimming products is huge: well over $30bn a year in the US for instance. And the Scandinavian launch recalls the runaway success of Benecol, the cholesterol-lowering margarine that has propelled Finnish company Raisio's elevenfold share price rise over two years. But then the Benecol claim is much more specific – and needs more rigorous proof – than that of Scotia's ingredient. By itself, the yoghurt is not a slimming food. At nearly 200 calories per pot, it compares with a pint of lager or a sizeable portion of baked beans. A lot depends on the claim that you will eat less four hours later.

Where does this leave Scotia? Relieved to have some good news to counteract the bad. But with the loss-making group still riding several horses – from food to fully fledged pharmaceuticals – there was little clue yesterday to the outcome of the new chief executive's urgent review of priorities ahead of the next fundraising.

Additional Lex comment on Granada, Page 24

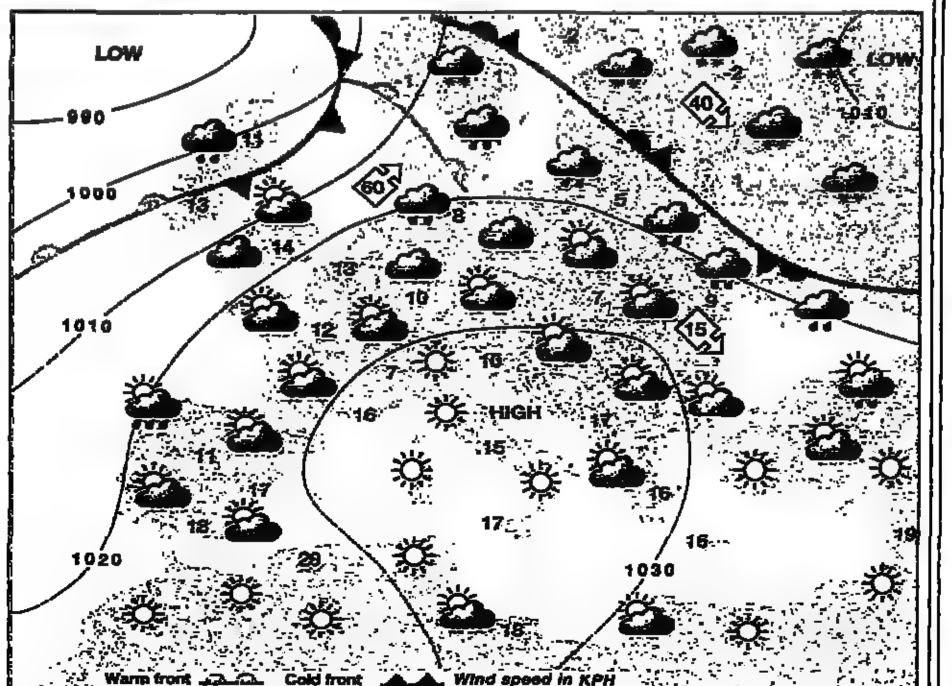
FT WEATHER GUIDE

Europe today

Southern Norway and Sweden will have snow which will turn to rain as conditions become milder. Northern Scandinavia will have snow showers. Parts of eastern Europe will also have snow. The Low Countries, Germany, France and the alpine regions will be mild with some good sunny spells. The Iberian Peninsula will also be mostly dry, warm and sunny, although the odd shower is possible across the far north-west. The Mediterranean will have the best of the sunshine. High pressure over Italy will ensure a warm day with almost unbroken sunshine.

Five-day forecast

High pressure will keep southern and central Europe sunny but there will be overnight fog. Southern Scandinavia will continue to become milder but there will be spells of rain. Northern Scandinavia and eastern Europe will have further snow but western Europe will continue mild and mainly dry.



TODAY'S TEMPERATURES

Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

	Maximum/	Beijing	Sun 4	Cardiff	Drzzl 13	Frankfurt	Cloudy 8	Madrid	Fair 11	Rangoon	Sun 32
	Celcius/	Belfast	Rain 11	Casablanca	Fair 21	Geneva	Fair 7	Majorca	Fair 17	Reykjavik	Fair 5
Abu Dhabi	Cloudy 22	Belgrade	Fair 11	Chicago	Snow 1	Gibraltar	Fair 18	Malta	Fair 18	Rio	Thunder 31
Accra	Sun 32	Berlin	Rain 10	Cologne	Cloudy 10	Glasgow	Rain 12	Manchester	Drzzl 13	Rome	Sun 15
Algiers	Fair 20	Bermuda	Shower 24	Dakar	Sun 26	Hamburg	Rain 11	Manila	Fair 29	S. Frsco	Rain 13
Amsterdam	Fair 11	Bogota	Fair 20	Dallas	Sun 18	Helsinki	Snow -2	Melbourne	Fair 29	Seoul	Sun 5
Athens	Fair 18	Bombay	Sun 33	Delhi	Fair 20	Hong Kong	Fair 21	Mexico City	Fair 23	Singapore	Thunder 28
Atlanta	Sun 12	Brussels	Fair 13	Dubai	Cloudy 22	Honolulu	Fair 27	Miami	Thunder 23	Stockholm	Fair 1
B. Aires	Fair 27	Budapest	Fair 10	Dublin	Drzzl 12	Istanbul	Fair 11	Milan	fog 10	Strasbourg	Fair 8
B'ham	Cloudy 13	C.hagen	Rain 8	Dubrovnik	Sun 17	Jakarta	Thunder 32	Montreal	Rain 3	Sydney	Fair 26
Bangkok	Fair 34	Cairo	Fair 19	Edinburgh	Shower 13	Jersey	Fair 13	Moscow	Snow -2	Tangier	Fair 19
Barcelona	Fair 15	Caracas	Fair 30	Faro	Fair 19	Johannesburg	Fair 23	Munich	Fair 7	Tel Aviv	Fair 19
						Karachi	Fair 27	Nairobi	Thunder 25	Tokyo	Fair 9
						Kuwait	Fair 18	Naples	Sun 15	Toronto	Rain 7
						L. Angeles	Cloudy 18	Nassau	Fair 28	Vancouver	Fair 4
						Las Palmas	Fair 25	New York	Rain 14	Venice	Sun 10
						Lima	Cloudy 31	Nice	Sun 16	Vienna	Shower 10
						Lisbon	Fair 17	Nicosia	Sun 16	Warsaw	Rain 5
						London	Cloudy 14	Oslo	Snow -1	Washington	Fair 13
						Lux.bourg	Cloudy 10	Paris	Fair 12	Wellington	Fair 15
						Lyon	Fair 12	Perth	Sun 31	Winnipeg	Snow-15
						Madeira	Thunder 21	Prague	Cloudy 7	Zurich	Fair 7

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COMPANIES & MARKETS
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INSIDE

Peregrine in new deal with Zurich

Peregrine, the Hong Kong investment bank, has agreed in principle to a revision of the terms of its shares-for-cash sale to Zurich Group, the Swiss financial services company. The revision comes less than two months after Zurich Group said it would pay US$200m for a 24 per cent stake in Peregrine. Page 23

Carlsberg expects expansion in Asia

It is a year since Flemming Lindelov (left) became chief executive of Carlsberg. He has overseen important changes at the Danish-based international brewer and says he is *"full of optimism"*. He expects the beer industry to expand primarily in Asia and eastern Europe, and Carlsberg to continue to strengthen its position in both markets. Page 22

Telecoms competition starts in Spain

Retevisión, the Spanish carrier of basic telephone services, begins to compete with Telefónica, the former state-owned telecommunications group, today. Retevisión has less than a year to establish itself because the market will become fully deregulated in December and a third licence could be awarded this spring. Page 22

Publicis buys stake in Canadian agency

Publicis, the French advertising group, has bought a 75 per cent stake in Toronto agency SMW. The deal comes weeks after a US court blocked Publicis from taking control of True North Communications of Chicago. Page 22

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 28

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Adidas	239.5	+	6	Cred Foncier	94.5	+	2.5
Beiersdorf	80	+	3.2	France Tele	235.8	+	6.9
SEHE	108.5	+	2	**Falls**			
Falls				Air Liquide	886	−	33
Bayer	88.99	−	1.51	Axa	463.5	−	3.7
Henckel Wk	119	−	1.8	CCF	388.7	−	22.2
Schering	174.45	−	1.75	Lafarge	382.9	−	24.1
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Box Hill	13⅝	+	1⅞	Housei	100	+	14
Lehman Bros	52⅝	+	2½	Nakano Corp	129	+	28
Uni Auto	22	+	1⅝	Noritsu Koki	3630	+	550
Falls				**Falls**			
Indosat	11	−	3⅜	Asahi Glass	480	−	53
Medpartners	9⅞	−	3⅛	Daiwabo	111	−	19
Philippine	17⅝	−	2⅝	Ono Parm	2440	−	410
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
Ald Textiles	165½	+	41½	Amoy Props	5.95	+	0.10
Bodycote	950	+	45	Cathay Pac	5.35	+	0.20
Next	725	+	20	**Falls**			
Sketchley	48	+	8	CDL Hotels	2.23	−	0.15
Falls				China Res	12.40	−	1.50
Booker	339	−	14½	Hang Lung	9.30	−	0.50
First Leis	293	−	11	TVB	19.50	−	0.60
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				**Rises**			
Big Rock Brew	5.9	+	0.8	Malee Sam Fo	28.50	+	6.50
McGraw-Hill	19.0	+	1.5	Renown Co	10.50	+	2.30
Gaming Lottery	5.1	+	0.5	TCJ Motor	98.00	+	20.50
Falls				**Falls**			
Dominion Text	12.0	−	2.5	Inter Far Est	24.75	−	7.50
NAAX Inc	12.8	−	1.0	Preecha Grp	29.50	−	12.50
Placer Dome	16.0	−	1.1	Siam Sport	63.00	−	23.00

New York & Toronto prices at 12:30.

Fat profit hopes in yoghurt

Scotia shares up as diet food that 'makes you feel full' goes on sale

By Daniel Green

Yoghurt that makes you feel full could mean fat profits for Scotia, a Scottish biotechnology company, and 1,300 Swedish farmers.

The yoghurt, Maaväl, went on sale yesterday in Sweden at SKr12 ($1.49) a pot, more than twice the price of ordinary yoghurt. Shares in Scotia, its inventor, rose 22¼p to 325p.

A team from Skaanemejerier, the manufacturer owned by 1,300 dairy farmers, flew to London for the product's launch.

The yoghurt contains Olibra, a patented combination of palm oil extract, oat oil and water. It encourages the small intestine to release chemicals that tell the brain that enough has been eaten.

Since Olibra is made from existing foodstuffs, it does not have to pass medical trials to reach the market. It also means that the side-effects seen in slimming drugs are less likely.

Last year Redux, one of the fastest-selling drugs in pharmaceuticals history, was forced off the US market because it was linked to heart problems.

In Sweden, Maaväl is marketed as giving a "prolonged feeling of fullness".

But the British Nutrition Foundation was cautious about the yoghurt.

"I would like to see clinical trials data published in a peer-reviewed journal," said Amanda Wynne, a nutritional scientist at the foundation.

Scotia has previously had problems producing convincing medical data. Last year UK medical regulators rejected a diabetes treatment invented by Scotia, and show no signs of giving the go-ahead to a cancer drug from the company.

The data produced by Scotia yesterday came from a trial on 29 people tested by nutritionists at the University of Ulster at Coleraine. Neither subjects nor nutritionists knew whether they were eating Maaväl or ordinary yoghurt. With a pot of yoghurt instead of lunch, calorie consumption in the evening meal fell 16 per cent. Most of that fall came from eating less fat.

Dr David Horrobin, the founder and a director of Scotia, said different national markets would allow different claims. However, a claim of weight reduction would have to be proved by clinical trials.

The product is the second "nutriceutical" to emerge from Scandinavia recently. The other is a cholesterol lowering margarine called Benecol made by Finland's Raisio. The company's share price has increased 11-fold and attracted a partnership with US company Johnson & Johnson.

Scotia is holding talks with possible partners, said to include Procter and Gamble, to launch Maaväl around the world. The company also said Olibra could be used in other products such as fruit drinks, soups, biscuits and chocolate.

City analysts said Olibra looked like a good product at this stage, but valuing would be difficult because so much depended on the partner Scotia managed to secure.

Success with Olibra would be a welcome relief for Scotia, after one of its worst years. Apart from problems with medical regulators, Dr Horrobin has stepped down as chief executive.

These difficulties overshadowed an improvement on the food supplements side, with derivatives of evening primrose oil.

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Cinven's IPC deal helps take venture capital to new heights

Bigger buyouts mean better business

So is big becoming beautiful in the world of European private equity?

Certainly Cinven, which this week sealed its reputation as one of the most aggressive participants in town when it pulled off the £860m ($1.4bn) management buy-out of IPC magazines of the UK from Reed Elsevier, thinks so.

John Brown, deputy managing director, says bigger buyouts are better businesses, partly because they have or can attract higher quality managers. In addition they tend to be market leaders, have better systems and infrastructure and are easier to float.

Hugh Mumford, managing director of Electra Fleming, which lost out – with rather bad grace – in the IPC deal, adds: "You want to buy quality earnings at this point of the economic cycle. You don't want to leverage volatility."

But buying large, mature companies is hardly what venture capital used to be about. In fact the largest buy-out ever in the UK – the £2.4bn Gateway supermarket deal in 1989 – went spectacularly wrong.

The business of private equity has begun to change in the last few years. First, money is pouring into the sector on the back of the sparkling returns achieved by the most successful funds, which have been in the region of between five to 10 percentage points above those available from the stock market.

Many American institutional investors have increased the amount they allocate to private equity. Also, with trade sales and flotations running at high levels, existing investors have received large piles of cash back for which they need to find a new home.

A handful of large houses are pulling away from the herd in their ability to raise funds. Doughty Hanson hauled in the largest amount last year, raising $2.5bn for its latest fund. But half a dozen other companies also clambered into the $1bn plus league. Investors are targetting a total of £50bn at UK and continental European companies in the next two or three years, according to KPMG Corporate Finance.

Private equity managers also have access to large amounts of debt finance with the development of a European high yield debt market oiling the wheels. Ian Armitage, managing director of Mercury Asset Management's private equity arm, notes: "US houses are falling over themselves to market bonds with easy repayment terms and covenants."

Equipped with such resources, financial buyers are more credible bidders for large public company disposals.

"Five years ago, vendors and their agents would have been sceptical as to whether a financial purchaser could deliver [on a deal the size of IPC]," says Mr Brown.

Large funds put pressure on private equity houses to chase chunky deals because management resources are scarce. Cinven, which is putting together a £1.5bn funding arrangement, has just 14 investment directors – who on average only do one deal a year each.

One of the principal worries, however, is that because big deals are easy to price, private equity managers cannot take advantage of their staple trick of arbitrage – finding underpriced assets, sprucing them up and selling them at a higher value. Moreover, because of fierce bidding at crowded auctions, prices are often forced up relentlessly.

If arbitrage no longer works, *private equity managers talk* increasingly about "adding value". They are keen to promote themselves – not entirely aptly – as the new conglomerates, with the implication that they possess management skills that will help them grow businesses. Not everyone is convinced they do – and the larger the business, the more difficult it is to make an impact, except by embarking on the increasingly popular, if risky, acquisition trail.

There has been a resurgence of deals in which public companies have been taken private. Most have been small businesses. But private equity advisers have been running their slide-rules over bigger companies, some of which have market values of more than £1bn. These deals can be hazardous and costly, however. Bid timetables bring their own constraints, and it is difficult to access information.

In addition, the purchaser has to pay a premium to the market price to persuade existing investors to sell their shares and this may well offset the undervaluation that probably attracted their interest in the first place.

Katharine Campbell

Largest private equity deals in Europe for 1997-98

Buy-out company	Private equity house	Total funding
Seat	Banca Commerciale Italiana	£1,400m
General Healthcare Group/Générale des Santé	Cinven	£1,100m
IPC	Cinven	£860m
Geberit	Doughty Hanson	£753m
William Hill	Nomura	£700m
Unipoly	Legal & General Ventures	£620m
Impress Metal Packaging	Doughty Hanson	£581m
Bass Pubs	BT Capital Partners	£564m
Vögele	Schroder Ventures	£528m
Welcome Break	[illegible]	£476m

Source: KPMG, CMBOR/[illegible] Private Equity/Deloitte & Touche Corporate Finance, FT

John Brown, deputy managing director (left) and Robin Hall, managing director of Cinven, who headed the £860m IPC deal

Derivatives head leaves UBS amid fears of bonus cuts

By Clay Harris, Banking Correspondent

Union Bank of Switzerland has dismissed its global head of fixed income, currency and derivatives, amid signs that losses were so much larger than expected that 1997 staff bonuses in the investment banking operation may have to be slashed.

Hans-Peter Bauer's departure will fuel talk that UBS's derivatives losses for 1997 were much higher than the SFr200m ($135m) reported for the first half. The total may never be disclosed because UBS will not report 1997 results. Its planned merger with Swiss Bank Corporation, announced last month, will be backdated to last October.

Outrage over the proposed cut in bonuses is expected to be aired at an executive board meeting today in Zurich. UBS had assured staff that the bonus pool was "secure" when it announced the SBC merger. Business unit heads have been told that bonus requests may be cut by 30 per cent.

A cut would be a slap in the face for UBS staff, many of whom expect to lose their jobs in the SBC-dominated merger. They have been reluctant to seek new jobs because staff who leave before March forfeit their bonuses. Mathis Cabiallavetta, UBS chief executive, has also warned that "any negative behaviour" relating to integration with SBC could result in a cut in individual bonuses.

Feelings have run high with reports this week of "depressed faces" and even a "near riot" on one trading floor, especially since the European equities business had a record year.

Department heads have tried to reassure staff that "nothing is definite". Individual bonuses will be announced by the end of this month. A few heads are understood to be considering awarding no bonuses to some staff to preserve funds for the high-fliers UBS wants to keep as part of the merger.

Mr Bauer reported directly to Werner Bonadurer, UBS's head of trading and sales and risk management. He was put in charge of the London derivatives business in November after four New York traders and their London-based supervisor were dismissed.

Radisson looks to buy SAS international hotels group

By Tim Burt in Stockholm

Radisson Hotels Worldwide, the privately owned US hotels operator, has announced it hopes to acquire Scandinavian Airlines System's international hotels subsidiary as part of an expansion in Europe.

The move follows SAS's decision last year to review its ownership of the 98-strong hotel chain, which trades as Radisson SAS.

SAS – 50 per cent owned by the governments of Norway, Sweden and Denmark, with the rest in private hands – has asked NatWest Markets, the UK investment bank, to study a possible trade sale or flotation of the hotels subsidiary.

Although the strategic review has yet to be completed, Radisson, which is part of Minneapolis-based Carlson Group, is keen to press ahead with a deal.

Curtis Nelson, *chief executive of Radisson Hotels Worldwide*, said: "We are ready to move on this acquisition as soon as they are. Once they decide to sell we hope to close this transaction very quickly."

The airline already has close links with Radisson, which three years ago licensed its name to the SAS hotel subsidiary under a 30-year contract.

Analysts believe SAS could achieve a significant premium on a trade sale of the hotel business, which saw profits jump from SKr22m ($2.7m) to SKr105m on revenues of SKr1.59bn (SKr1.25bn) in the first nine months of last year.

Such international chains, according to analysts, were trading on multiples of between 13 and 14 times earnings before interest and tax.

SAS, however, stressed it had not reached a decision on *the future of the subsidiary*.

Nevertheless, Jan Stenberg, SAS chief executive, has made clear he wants to concentrate on the group's core airlines business, which is facing intense competition from low-cost carriers and new rivals in its Nordic home market.

Proceeds from the sale or flotation of the hotels business would help SAS fund its SKr10bn fleet renewal over the next five years.

SAS said it was likely to make an announcement on Radisson SAS when it publishes its full-year figures next month. Further growth in the hotels business is expected to contribute to group profits for 1997 of more than SKr2bn.

Apollo to expand into China

By John Authers in New York

The Apollo Group, the largest US private sector provider of higher education, is planning an aggressive expansion into China and the rest of Asia where it aims to enter the growing market for training in information technology.

Its expansion plans come as Wall Street intensifies its interest in the growing "for-profit" education sector. Many analysts believe this sector could replicate the growth of the private healthcare industry of the past two decades.

Apollo, which has a market value of about $2.2bn and was admitted to the Nasdaq 100 index last week, operates more than 100 campuses of its University of Phoenix subsidiary in the US, specialising in education for working adults.

At the end of the last academic year it had 57,382 students in the US – up 22.3 per cent on the previous year – as well as 3,296 students taking on-line courses. This has come from swiftly updating practical courses in information technology, exploiting a traditional weakness in public sector universities.

John Sperling, Apollo's president, said: "We are moving heavily into information technology through strategic alliances with IT training companies, which can combine the curriculum and expertise needed. One of the problems with higher education is that it's years behind in the ways it teaches technology, and this allows us to be state-of-the-art." The company already has a campus in London, and hopes to expand into the rest of Europe.

Mr Sperling has visited China several times to discuss joint ventures with local employers. Apollo intends to differentiate itself by offering localised services with local companies and instructors, but it will keep the same systems.

"The markets are humongous. There are 1.2bn Chinese, desperate to modernise. And there's no indigenous competition. If we localise we are within the local cost structure, so we aren't facing problems from currency devaluations."

Bankers show an interest in education, Page 23

German M&A deals hit record in 1997

By Andrew Fisher in Frankfurt

German companies were involved in a record volume of mergers and acquisitions last year, with the total size of deals more than doubling to DM152bn ($83.3bn), according to M&A International, a merger consultancy based near Frankfurt.

This compares with a total transaction value of DM67bn in 1996. The number of deals rose 7 per cent to 1,900. The figures comprise purely German deals – including those agreed but not yet concluded – as well as those in which German companies were the purchaser or target of a foreign concern.

Among the largest transactions were the merger of Bayerische Vereinsbank and Bayerische Hypotheken- und Wechsel-Bank and the purchase by Switzerland's Roche of Boehringer Mannheim, the pharmaceuticals group.

Allianz, the insurance group, has expanded the total through its acquisition of AGF of France. Other prominent deals include Munich Re's merger of its primary insurance businesses and Veba's purchase of a 36 per cent stake in Degussa, the chemicals company.

Hoechst sold its specialty chemicals activities to Clariant of Switzerland and bought the outstanding stake in Roussel-Uclaf of France. Preussag, the industrial conglomerate, is buying Hapag-Lloyd, the shipping, transport and tourism concern, with Metro purchasing the European cash-and-carry operations of Makro of the Netherlands.

Arno Burckhardt, managing director of M&A International which specialises in *Mittelstand* (medium-sized) company business, said prices had been published for only DM114bn of last year's deals. Of these, German deals accounted for DM48bn, German deals abroad DM28bn and foreign purchases in Germany DM38bn. The value of the rest had been estimated.

He said the German merger and takeover scene should continue to be lively this year. Pending deals included the mergers of Bankgesellschaft Berlin and Norddeutsche Landesbank and of Krupp Hoesch and Thyssen, the steel and engineering companies. Both are still in the negotiation stage, although the merger of the Krupp and Thyssen steel interests was included in the 1997 figures.

Mr Burckhardt said another big bank deal was likely. Following the Bavarian merger – to create Bayerische Hypo- und Vereinsbank – speculation about foreign deals by Deutsche Bank and Dresdner Bank has been rife, with Commerzbank the subject of takeover rumours.

He expected more transactions involving smaller and Mittelstand companies, ahead of the possible lowering of the tax threshold on capital gains in corporate deals.

Madrid to complete bank sell-off

By David White in Madrid

The remaining 29.2 per cent state shareholding in Argentaria – the last government holding in Spain's commercial banking sector – is to be sold in mid-February, mostly to small investors, under plans to be submitted today for approval by the country's CNMV securities commission.

Following strong domestic demand for other recent Spanish privatisation issues, about 60 per cent of the global offering is expected to be reserved for retail investors, according to bankers close to the operation.

The offering, the largest in a four-stage privatisation of the banking group begun in 1993, is expected to be worth about Pta325bn ($2.2bn). International and Spanish institutional tranches have still to be allocated.

Morgan Stanley Dean Witter, Banco Bilbao Vizcaya, Banco Santander and Argentaria itself have been appointed as global co-ordinators – the same line-up as the bank's last privatisation issue in March 1996.

Spain's centre-right government is set to give its formal go-ahead to the issue next Friday, with the final prospectus scheduled for presentation to the CNMV a week later. Applications for shares are scheduled to open on January 26. The final price is expected to be set on February 16, and the shares to start trading the following day.

The government, which is committed to preserving Argentaria's independence, at least in the short term, is also due next week to lay down a "golden share" rule enabling it to veto any move by a single buyer to take a stake of 10 per cent or more in the privatised bank over the next three years. This provision may be extended for a further year.

In the meantime, Argentaria is seeking foreign financial partners to provide a stable shareholding base. Francisco Gonzalez, chairman, initially tried to form a "hard core" of non-banking Spanish shareholders ahead of full privatisation.

However, he has now switched strategy in an effort to secure European and other international allies which can bring business to the group and bolster its position in the run-up to European monetary union.

Next month's offering covers all the state's shares in Argentaria, including 2.6 per cent held through the industrial holding company Sepi.

Individual investors are expected to be offered a 3 per cent discount with a further 3 per cent loyalty bonus for those who keep their shares for at least a year.

The proposed terms were not due to be released until their approval by the CNMV, although leaked details were published in the El País daily yesterday.

Next week's cabinet meeting is also expected to authorise the purchase from Argentaria of two office buildings near the Spanish parliament, for Pt14bn.

Carlsberg's spirits rise as revamp goes ahead

It is just a year since Flemming Lindelov took over as chief executive of Carlsberg. In that time he has overseen some important changes at the Danish international brewery group, making him happy to declare recently he was "full of optimism".

Along with Heineken and Guinness, Carlsberg is one of the three large international brewery groups that do not depend on their domestic markets. Mr Lindelov is confident Carlsberg will maintain its position in spite of moves by brewers with a strong domestic base to build their international business.

The Danish brewer – controlled by the Carlsberg Foundation, which is also famous for grants and bequests to sciences and arts – is renowned among analysts more for its caution than daring. But since Mr Lindelov took over from Poul Svanholm, who reigned for 25 years, a gradual change has taken place.

First, Carlsberg decentralised, splitting into divisions with responsibility for the bottom line. Then, in the annual statement for the year ended September, it announced that investment in operations would be given more emphasis.

The strategy would be financed partly by the sale of financial assets and by more long-term loans, the statement said. As a result, the group's 41 per cent ratio of equity to assets would decline.

However, Mr Lindelov's optimism also has much to do with the clarification of Carlsberg's position in the UK market, which accounts for about one-third of its international beer sales.

The group's future was clouded for almost a year while the UK authorities decided whether to approve a merger of Carlsberg-Tetley, the group's UK arm, with Bass, the UK's largest brewer.

Mr Lindelov believes the decision last June to block the merger is not bad news for Carlsberg. Rather, it has restored the group's sense of purpose.

In August, Carlsberg took over the 50 per cent of Carlsberg-Tetley owned by Bass. That agreement was seen by the Danes as an advantageous fall-back position, as Carlsberg bought assets worth about £300m ($487m) for £110m.

Carlsberg-Tetley can now carry out an important modernisation and restructuring in the UK. This will involve the sale or closure of three breweries, the investment of £40m in improvements – mostly in its two main breweries in Northampton and Leeds – and the reduction of its UK workforce.

At the end of that period, Carlsberg-Tetley will still be debt-free. Meanwhile, the bottom line at the Danish parent will remain untouched by the UK restructuring. "As we focus on our main products, we shall lose a small share of the total UK market over the next couple of years, but we shall gain a rising share of the brand name market for lagers," Mr Lindelov says.

Carlsberg-Tetley's operating profits are satisfactory, he says. The figure last year was DKr544m ($78.2m). But heavy structural charges taken last year mean Carlsberg-Tetley's UK accounts will show a net loss.

The restructuring also returns Carlsberg in the UK to the stand-alone position it enjoyed before its tie-up with Tetley in 1992. "We once again have our feet under our own table," says Mr Lindelov.

But he is aware that Carlsberg-Tetley faces a tough challenge. Beer consumption in the UK is not rising. There is excess production capacity in the UK, and Carlsberg-Tetley has less favourable supply contracts than in the past.

This year, Carlsberg-Tetley expects lower operating profits, but with the long-term expectation of a satisfactory return on capital invested.

Carlsberg is also getting its feet firmly under its own table in its Nordic market, where it is investing heavily in beer and soft drinks.

In beer, it has full control of Falcon, the Swedish brewery, with a 20 per cent share of the domestic market, and has majority control of Finland's Sinebrychoff, with 35 per cent of the Finnish market. Carlsberg also has majority control of the Vana brewery in St Petersburg, which it sees as a platform for expansion in Russia.

In soft drinks, Carlsberg owns 51 per cent of Coca-Cola Nordic Beverages, a joint venture with Coca-Cola for production, distribution and sale of Coca-Cola in the Nordic and Baltic countries.

Globally, the Danish group expects the beer industry to expand, primarily in Asia and eastern Europe, and the group will continue to strengthen its position in both markets.

In China, competition is tough. Last year, Carlsberg China, which includes breweries in Hong Kong and Huizou and a brewery nearing completion in Shanghai, slipped from profit into loss, largely because of significant marketing investment.

Carlsberg emerged from 1996-97 with sales of DKr19.47bn from 33.7m hectolitres of beer (only 5m in Denmark) and 2.5m hectolitres of soft drinks, up from DKr17.9bn the year before. Operating profit was virtually unchanged at DKr1.25bn, but group pre-tax profits showed a small improvement from DKr1.57bn to DKr1.75bn. Return on equity was unchanged at 13.1 per cent.

In the current year, sales will rise by DKr8bn as a result of the consolidation of Carlsberg-Tetley, Sinebrychoff and the Coca-Cola joint venture. This means operating profits will increase, but Carlsberg does not go further than this and does not publish its internal budget targets either.

Mr Lindelov hopes the results of all the efforts the group is making worldwide "can be measured on the bottom line".

Flemming Lindelov: £40m to be invested in UK operations

Hilary Barnes

Rossignolo set to head Telecom Italia

By Paul Betts in Milan

Gian Mario Rossignolo, chairman of Zanussi, the Italian consumer electronics company owned by Electrolux of Sweden, is set to become the new chairman of Telecom Italia, the recently privatised telecommunications group.

Telecom Italia's board is due to meet on Monday to confirm the appointment of Mr Rossignolo to replace Guido Rossi, who resigned in November after a widely publicised boardroom battle.

The privatised telecoms group, which was badly shaken by the sudden and acrimonious departure of Mr Rossi barely a month after the company was floated, was anxious to resolve its senior management problem as quickly as possible.

The Telecom Italia board was expected to meet at the end of this month to consider the appointment of a new chairman. However, the company's new group of core private shareholders – including Ifil, the Fiat Agnelli family industrial holding; IMI, the Rome investment bank; as well as Credito Italiano, Banca Commerciale Italiana, Istituto San Paolo di Torino and Assicurazioni Generali – appear to have reached a quick consensus over the appointment of the Zanussi chairman. Mr Rossignolo is one of the best-known and esteemed managers in Italy, with extensive experience first in the Fiat group and in the past 15 years with the Wallenberg group, the industrial dynasty which is Scandinavia's equivalent of the Agnelli family in Italy.

Gian Mario Rossignolo: likely to want executive powers

Mr Rossi's resignation followed a row with Mr Tomaso Tommasi di Vignano, Telecom Italia chief executive, over the corporate governance of the privatised telecoms group. Mr Rossi wanted to introduce greater checks and balances on Telecom Italia's senior management as well as wider powers for the chairman.

The issue provoked considerable political tension within the Italian governing centre-left coalition, with the former communist PDS party, the largest member of the coalition, siding strongly with Mr Rossi.

The PDS criticised the successful resistance of Mr Tommasi and the Telecom Italia management to the corporate governance changes proposed by Mr Rossi as an effort by the old guard of former state managers to maintain their dominance in the company.

The company's new 1.5m small investors, and new institutional investors, were also worried by the potentially damaging repercussions of the power struggle on one of the country's largest public companies. The choice of Mr Rossignolo appears designed to allay these concerns by bringing in a manager of independent mind with strong international experience.

Mr Rossignolo is unlikely to see his role as a figurehead chairman, but rather to insist on holding certain executive powers, according to Italian businessmen.

Mr Rossignolo, 67, is expected to resign from the executive committee of Ericsson, the Swedish telecoms equipment manufacturer, because of potential conflicts of interest. He is also likely to resign from other company boards and executive positions to devote himself to Telecom Italia.

Before he joined the Wallenberg empire, Mr Rossignolo held a number of positions in the Fiat car group, including head of marketing, planning and management at the Lancia subsidiary. He was also the architect last year of the acquisition by Piedmont International of the troubled personal computer activities of Olivetti.

Financial analysts suggested yesterday that the appointment of Mr Rossignolo to Telecom Italia would further increase the Agnellis' influence in the privatised telecoms group. Mr Rossignolo, a Piedmontese like the Agnellis, is said to have close links with Umberto Agnelli, the chairman of Ifil.

Mr Agnelli made clear at the time of Ifil's investment in Telecom Italia that the Agnelli industrial holding had no intention of being a sleeping shareholder.

Other candidates are understood to have been considered for the Telecom Italia chair – including Paolo Fresco, a Fiat board member and number two at General Electric of the US; Pasquale Pistorio, chief executive of SGS-Thomson, the Franco-Italian semiconductor group; and Lucio Stanca, head of IBM-Europe.

INTERNATIONAL NEWS DIGEST

Publicis agrees Canadian buy

Publicis, the French advertising group, has bought a 75 per cent stake in Toronto agency SMW. The acquisition comes only weeks after a US court blocked attempts by Publicis to take control of True North Communications of Chicago. Yesterday's deal, under which SMW's managers will retain 25 per cent of the company, makes Publicis the sixth largest advertising agency in Canada, the French group said. The new group will be known as Publicis SMW. Financial terms of the deal were not disclosed.

Two days ago, Maurice Levy, chairman, said his company would be looking for other takeover opportunities in North America in the wake of the failed attempt to take control of True North. The French group is still considering what to do with its remaining stake in True North which, after True North's $440m merger with Bozell Jacobs Kenyon Eckhardt agreed last month, will be diluted to about 10 per cent.

SMW's had sales of C$80m (US$55.8m) in 1997. Publicis already owns Montreal agency BCP – now known as Publicis BCP – which it took over in September 1996.

Financial staff and agencies

■ SHIPPING

Frontline drops bid for ICB

Frontline, the Bermuda-based tanker operator, yesterday confirmed it was withdrawing its SKr3.22bn ($400m) hostile bid for Swedish rival ICB Shipping after failing to win sufficient shareholder support. It said the decision, taken partly because of strong resistance to the bid from the ICB board and the Swedish small shareholders association, would give it more flexibility to pursue other deals.

Nevertheless, it said it had no immediate plans to reduce its 51.7 per cent stake in ICB's share capital or its 31.4 per cent voting rights. ICB's most commonly traded B shares were unchanged at SKr91, while its voting A shares rose SKr10 to SKr150.

Tim Burt, Stockholm

■ PREUSSAG

Flotation of steel unit possible

Preussag, the Hanover-based industrial conglomerate, confirmed yesterday it had begun preparations for the possible flotation of its steel subsidiary, Preussag Stahl. Preussag last year said it envisaged ceding control of Preussag Stahl in the "medium term". In a magazine interview yesterday, Michael Frenzel, Preussag chairman, said that "high priority" was being given to testing whether a flotation was possible.

However, Preussag has not yet completely ruled out the possibility of a trade sale or working with a strategic partner which could take a significant stake in the steel subsidiary after flotation. Gerhard Schröder, prime minister of Lower Saxony, is urging Preussag not to undermine the region's importance in the world steel industry – which could be threatened by a sale of Preussag Stahl to a foreign owner. Preussag Stahl had turnover of about DM3bn ($1.64bn) in 1995-96.

Ralph Atkins, Bonn

■ TRANSPORT

GEC Alsthom to acquire Sasib arm

GEC Alsthom, the Anglo-French transport and power engineering joint venture that is to be launched on stock markets this spring, has agreed to buy the railway signalling activities of Sasib, a subsidiary of Italy's Cir, for an undisclosed sum. The company said the deal would give it leadership of the fast-growing railway signalling sector.

The Sasib business, which includes the General Railway Signal unit in the US, has annual sales of Ecu200m ($184.6m) and more than 1,400 employees. GEC Alsthom said the deal would lift turnover of its transportation division to some Ecu3bn.

David Owen, Paris

■ BANCA DEL GOTTARDO

Sumitomo to retain stake

Sumitomo Bank, Japan's second biggest, has denied rumours that it plans to sell its controlling stake in Banca del Gottardo, a Swiss commercial bank based in Lugano. Sumitomo bought control of the bank for $144m in 1984.

The recent financial problems of Japanese banks has led to renewed speculation that Sumitomo might sell its 55 per cent stake, currently worth more than $500m, to help repair its balance sheet. However, Banca del Gottardo, in agreement with Sumitomo Bank, took the opportunity yesterday to "officially stress that no change in the present stockholder's structure is being expected or considered". The bank issued the statement along with an announcement that its 1997 net profits rose 53 per cent to SFr81m ($54.8m).

William Hall, Zurich

■ BANK FALCK

Julius Baer takes full control

Julius Baer, Switzerland's biggest independent private bank, has taken full control of Bank Falck & Co, the last remaining private bank in central Switzerland. Julius Baer bought a 51 per cent stake in Falck in October 1996.

The two family-controlled banks planned to co-operate to expand their market position in central Switzerland. However, Julius Baer has decided to take full control and convert Bank Falck into a branch of Bank Julius Baer.

The Bank Falck name will disappear but Falck & Cie, which owned the Falck family's remaining interest in the 123-year-old bank, will continue to operate in real estate.

William Hall

■ HSBC SIMPSON MCKIE

HSBC lifts stake to 89.94%

HSBC, the London-headquartered international banking group, has bought out 21 directors and employees in HSBC Simpson McKie for R161m ($32.7m), taking its stake in the South African investment bank from 51 per cent to 89.84 per cent.

HSBC said it would seek opportunities to buy out the rest of the shareholders and take its interest to 100 per cent. The group, which owns Midland Bank in the UK and Hongkong and Shanghai Banking Corporation in China, said it had paid R150m for ordinary shares and R11m for subordinated loan stock. None of the sellers will receive more than R13.2m, and part of the payment will not be released until December 31 2000.

George Graham, Banking Editor

Retevisión all set to usher in era of telephonic freedom

Retevisión, the second Spanish carrier of basic telephone services, has left nothing to chance as it begins to compete with Telefónica today.

It has lined up aggressive pricing, the backing of Spain's commercial and industrial heartland and a promotional campaign that touches a nerve in every Spaniard over 40.

Television advertisements have José Luis López Vázquez, one of Spain's best known actors, stepping out of a telephone kiosk to the slogan: "At last freedom has arrived ... the monopoly is over."

In a memorable short film of the early 1970s, Mr Vázquez was unable to get out of a telephone kiosk and, ignored by passers-by, was eventually hoisted by a crane onto a lorry which took him to a kiosk "cemetery" where others were trapped inside similar telephone boxes. The film was *a metaphor of curtailed liberties* during the Franco dictatorship.

The film flashback is apposite since Retevisión, the former state-owned TV signals company, is a flagship of Spanish deregulation, and its launch is a break with the past. The centre-right government completed the privatisation of Telefónica in February and then cut short its monopoly by inviting tenders to run Retevisión as a fixed-line provider.

Telecom Italia and the domestic power group Endesa headed a consortium that in July acquired 70 per cent of Retevisión for Pta181bn ($1.17bn).

"We symbolise competition because we have the margins to deliver a better and cheaper service," said Anna Birulés, the new operator's managing director.

Retevisión will not, initially, charge connection and monthly rental fees and will bill subscribers according to usage in seconds instead of in frames of three minutes, whether used up or not, as Telefónica does.

International and long-distance domestic calls, the start-up services offered by the new operator, are expected to undercut Telefónica by some 20 per cent.

The aggressive pricing is possible thanks to low interconnection fees – the price Retevisión has to pay for using Telefónica's lines. "The regulator is actively interested in promoting competition," said Ms Birulés.

Spain is one of five EU members – alongside Luxembourg, Ireland, Portugal and Greece – with special provisions allowing them to delay the full liberalisation of telecommunications, which came into force in the rest of the EU this month.

Retevisión has less than a year to establish itself because the Spanish market will become fully deregulated in December and a third licence could be awarded this spring. It has, however, stolen a march on others willing to take on Telefónica by entrenching itself in the Basque region, where it has a cross-share arrangement with a local operator, and in Catalonia by virtue of its Barcelona headquarters.

In Spain, where regional governments have considerable muscle, Retevisión's strategy could reap rewards. It expects to sign up a sizeable proportion of Basque and Catalan business and to service the administrations of both these areas.

Analysts suggest Retevisión could capture 10 per cent of the domestic telecoms market by 2007. "That is a minimum target," said Ms Birulés.

Tom Burns

Seagate profits hit by Asian price cuts

By Nicholas Denton in San Francisco

Shares in Seagate Technology, the world's largest manufacturer of computer hard disk drives, plunged yesterday after the company issued a profits warning prompted partly by the effects of the economic crisis in Asia.

But a positive effect of the crisis was also shown as Dell Computer, the leading direct maker of personal computers in the US, said it was cutting prices of desktop machines by up to 15 per cent because of the falling price of inputs from Asia.

However, price cuts by Asian component makers contributed to the severe pricing pressure that Seagate cited when it issued its profits warning on Wednesday evening. Its shares fell 6 per cent in morning trading on Wall Street yesterday after it said it would take a $250m restructuring charge for the quarter just ended.

The market glut for hard drives, which store computer files and applications, has led to a collapse in prices and lower than expected revenues for Seagate. It has been caused in large part by output from factories built by Japanese and South Korean groups such as Fujitsu, Samsung and Hyundai.

Seagate announced in November it expected revenue and earnings for the quarter just ended to fall short of expectations. But the final month's performance was so dismal it prompted a second alert.

In the quarter, the second of its financial year, Seagate projected revenues of $1.65bn – more than 31 per cent below the level of a year before, a drop precipitous even by the standards of the typically cyclical storage industry.

Having already said earlier it expected to be only "marginally profitable", Seagate now expects a substantial second-quarter loss.

It is Seagate's second unexpected loss in a row. Seagate shares, having slumped on Wednesday in anticipation of an announcement, fell $1¼ to $19¾. They are 65 per cent off their 1997 high. Seagate is the latest company to attribute disappointing results either to competition from Asian manufacturers or depressed demand in the region for technology products.

Companies with shortfalls blamed in part on Asia include 3Com, the networking equipment maker, Oracle and Sybase, two database companies, and several components makers. Analysts said that, although the Asian difficulties are real, they have also provided cover for managements facing other more intractable problems, such as competition within the US. Dell was the first company to attribute a fall in costs to recent currency devaluations in Asia, which have made exports from the region cheaper from a US perspective.

Computer makers such as Compaq have during the last 12 months introduced basic models for as little as $799, taking advantage of falling prices for components such as hard disk drives.

Shares of US healthcare group hit

By John Labate in New York

Shares in MedPartners, a leading US healthcare provider, tumbled more than 46 per cent on Wall Street yesterday as investors reacted to two surprise announcements.

Late on Wednesday, the Alabama-based company that dominates its niche as a physician practice management company, said it had called off plans to be acquired by its smaller rival PhyCor in a deal valued at $6.8bn.

"After a lengthy review and planning process, we determined, due to significant operational and strategic differences, we would be unable to successfully and effectively integrate the two companies," said Joseph Hutts, PhyCor chief executive and chairman.

The agreement to combine operations, which had been approved by the boards of both companies, would have created a network of 35,000 affiliated physicians across the US with 3m patients. The combined company would have had revenues of about $8.4bn.

MedPartners' shares were also under pressure yesterday because the company announced it expected a pre-tax charge to earnings of $115m as a result of restructuring and a $30m charge from discontinued operations.

MedPartners said a loss of 20-25 cents a share from continuing operations was possible in the fourth quarter. The company said it expected 1998 earnings per share to fall 30 per cent below analysts' current estimates of $1.40 and $1.42.

Wall Street analysts were swift to downgrade MedPartners shares, as Bear Stearns and Cowen changed their ratings of the stock from "buy" to "neutral".

By early afternoon, shares of MedPartners had plunged more than 46 per cent, or $8¼, to $9⅞. In late October, the healthcare company's shares were trading at $27¼.

Shares of PhyCor were also down yesterday, by $⅞ to $25⅞.

MedPartners has grown to dominate the industry for physician practice management through a rapid series of acquisitions in recent years.

The company blamed its current financial difficulties primarily on the consolidation of its western operations, as well as a previously announced closing of a mail-order pharmacy unit.

Video games demand bolsters Toys R Us

By Richard Tomkins in New York

Strong demand for video games helped Toys R Us, the world's biggest toy retailer, report a 6 per cent increase in Christmas sales yesterday, marking a sharp recovery from its dismal season a year earlier.

There were good December sales figures from other big US store groups, indicating that US retail spending had lived up to expectations. Goldman Sachs said its index of December sales at stores open a year or more rose 4.4 per cent.

The National Retail Federation, an industry body, said the numbers reflected a good season for US retailers. "Not a great one, not a spectacular one, but a good, solid holiday season," said Tracy Mullin, president. "I think most retailers are pleased."

Toys R Us said its sales increase was driven by the video game "explosion" that began in 1996 with the introduction of the Nintendo 64 and Sony Playstation systems. It also had good sales of electronic virtual pets, action figures and many other items.

The increase contrasted with flat sales a year earlier, caused by shortages of Tickle Me Elmo dolls and Nintendo 64 products. This time, November and December sales rose 6 per cent, and Toys R Us said they would have risen 9 per cent without the effect of currency translation. US same-store sales rose 5 per cent.

Toys R Us also announced a $1bn share buy-back and unveiled plans to introduce a shareholder rights plan to defend itself against a hostile takeover bid. Louis Lipschitz, chief financial officer, said no bid was expected: the company was simply bringing itself into line with common practice.

Among other retailers reporting Christmas sales figures yesterday, some of the biggest gains came from luxury retailers, which continued to benefit from the wealth generated by the stock market boom. Tiffany's US same-store sales rose 15 per cent in November and December.

At the other end of the scale, Wal-Mart, the discount store group that is the world's biggest retailer, also had a good season, reporting a 7.2 per cent increase in December same-store sales. But Kmart, its troubled rival, reported an increase of only 2.9 per cent.

Sears Roebuck, the department store group, said a late surge in spending helped it recover from a slow start, producing a 4.5 per cent increase in December same-store sales. However, this marked a slowdown from the previous year's 9.5 per cent.

Children in a US Toys R Us store using a scanner to register the toys they wanted for Christmas AP/Ed Wray

Bankers show an interest in education

By John Authers in New York

Wall Street believes 1998 could be the year of education. Interest in "for-profit" quoted education companies has been growing and they now form a coherent sector which is followed by analysts from most of the largest US investment banks.

The hope is that the sector could take off in the same way that the healthcare management has done.

Gerald Odening, analyst at Salomon Smith Barney, said: "We believe education will become a standard industry category that investors will want to have as part of their portfolios. The for-profit education firms represent only a fraction of total public spending on education and we anticipate a continuing shift of public funds to private enterprise over the next five to 10 years."

Morgan Stanley Dean Witter is similarly bullish: "The education industry is a $635bn addressable market opportunity at the dawn of a new paradigm."

It estimates that private sector companies have penetrated less than 2 per cent of the potential market, and that this could extend to 20 per cent over the next 20 years.

The argument is that the private sector can exploit niches where the public sector does not have a foothold, such as training in information technology. It can also benefit from widespread dissatisfaction with educational standards to take market share from established non-profit organisations.

The past year has seen a series of the largest US investment banks, including Lehman Brothers, Bankers Trust-Alex. Brown and Salomon Smith Barney, hold conferences in New York to back the education sector.

Sandy Weill, chief executive of the Travelers Group, which bought Salomon in one of last year's biggest deals, even chose to launch the new Salomon Smith Barney investment bank with a New York conference on the prospects for the sector.

Companies are attempting to move into all stages of

The private sector can exploit niches where the public sector does not have a foothold, such as training or IT

education, from nursery schools through to universities and adult training.

Gerald Odening, analyst for Salomon Smith Barney, divides the sector into three and gives growth arguments for all of them.

Educational Management Organisations, covering education from childcare through to university level, can benefit from the growing number of working mothers by offering tuition and other support out of school hours, according to Mr Odening.

Training and Development providers would typically be employed directly by companies and would aim to benefit from the growing popularity of out-sourcing. Salomon Smith Barney estimates total US corporate spending on training at $58.2bn, and points to growing evidence of skills shortages and the increasing importance of information technology as reasons to predict growth.

Finally, the investment bank is also following the "instructional media" sector. It estimates the US market was $6.5bn in 1996.

There is already growing corporate activity among education providers. Apollo Group, which runs the University of Phoenix, achieved the trading volume and capitalisation necessary to join the Nasdaq 100 at the beginning of this year, an event which caused its shares to jump 5.49 per cent. Its initial public offering was in 1994.

At the end of last month, the education sector saw one of its largest acquisitions to date, when Atlanta-based EduTrek International bought ITI Education, the largest IT training company in Canada, for $75m only three months after EduTrek was floated.

The new company can offer ITI's Masters of Information Technology degree programmes through EduTrek's American InterContinental University chain of campuses in the US, UK and the United Arab Emirates. Offering courses to equip graduates with skills in the latest versions of the most widely used computer tools, it aims to exploit a gap in the range of subjects offered by traditional universities.

Merger creates top Australian hotel group

By Gwen Robinson in Sydney

Two Australian hotel groups yesterday announced a merger that will form the country's largest listed hotel group, with combined assets of over A$500m (US$320m).

Grand Hotel Group, a Melbourne-based property and hotel company, has offered one share for 2.6 securities in Australian Tourism Group, which encompasses the Australian Tourism Fund and Australian Tourism Company.

GHG, 40 per cent owned by Singapore-based Tuan Sing Holdings, owns properties in Australia's main cities and some five-star hotels, including Hyatt hotels in Canberra and Perth.

ATG has diversified investments in accommodation, gaming and tourism services, including a 20 per cent stake in the Reef Hotel Casino and a national chain of medium-grade hotels.

GHG increased its offer by almost 8 per cent from its initial bid, launched last month after it purchased a 10.7 per cent stake in ATG.

ATG directors said they would recommend the offer to shareholders, subject to due diligence and an independent report. Executives of the two groups said the merger would create "a powerful new force" in Australia's accommodation market and shrugged off concerns that Asian economic turmoil would damp tourist demand.

Bill Conn, chairman of GHG, said the Asian crisis was unlikely to affect either company, as neither relied heavily on Asian tourism for business. International visitors represented only 8 per cent of ATG's business, while GHG's customer base was mainly in the high-end tourism and business sector.

Both groups described the merger as "a good fit" which would diversify the assets and customer base of each and provide the platform for future acquisitions.

Analysts, however, said the merger would create an unwieldy group with a "hodge podge" portfolio of low and high-end hotels.

GHG's share price ended one cent lower at A$1.95 while ATG was steady at A$1.05.

INTERNATIONAL NEWS DIGEST

AT&T seen near to Teleport deal

Signs that AT&T was finally close to making its first big push into the US local telephone market through acquisition of an independent local services company lifted its shares by more than 3 per cent yesterday morning.

The long-distance carrier has been reported for some weeks to have been in discussion with Teleport Communications, a company building local telephone networks in many of the biggest US cities. AT&T's board was believed to be meeting yesterday to consider an acquisition, worth more than $10bn at the current market price.

For Michael Armstrong, the company's new chief executive, the deal would represent a swift response to a problem of access to local telephony that has dogged AT&T in the two years since the ground-breaking Telecommunications Act was passed. However, Teleport, which is controlled by a group of the biggest cable television companies, serves only business customers and would not help AT&T to sell local services to the residential customers who are the mainstay of its long-distance business.

Teleport's stock, which has soared this year on expectation of an acquisition, slipped by $4 during the morning to $53⅞, on a report that the deal would be valued at around $56 a share. *Richard Waters, New York*

■ JAPAN

Moody's cuts Sanwa Bank rating

Moody's Investors Service, the credit rating agency, said it had cut the long-term senior debt rating and the long-term deposit rating of Sanwa Bank to A1 from Aa3, citing the deterioration of the Japanese bank's profitability. The move will affect $25bn of debt securities, it said.

Moody's said Sanwa's profitability had declined and no longer warranted the previous rating, which was supported by above-average profitability. It added that Sanwa's asset quality was average or below average compared with other A1-rated city banks. *AFX-Asia, Tokyo*

■ GERMANY

Hanna to buy Bösch

M.A. Hanna, the acquisitive US speciality chemicals company, yesterday agreed to buy Melos Carl Bösch, a German maker of rubber compounds, in a deal marking its first entry into the European rubber industry. The purchase for an undisclosed sum is the 24th for Hanna in just over a decade. It has built up a worldwide speciality chemicals business after having previously concentrated on shipping and mining operations in the US.

Melos has annual sales of about $30m and makes products for the vehicle, electrical and sporting goods industries. Hanna last year had revenues of more than $2bn, a figure it wants to double by 2001. *Peter Marsh*

■ BANKING

Thai Farmers boosts capital plan

Thai Farmers Bank, Thailand's third largest bank, said it expected to enlarge its capital increase plan within the first quarter of this year. Banthoon Lamsam, president, declined to disclose the amount and terms of the increase but said the bank's financial position remained strong, with the capital adequacy ratio currently standing at 11 per cent. He said a roadshow would be held to sell new shares for the capital increase.

The president of Laem Thong Bank, Thailand's smallest commercial bank, also said the bank planned to increase its capital by an additional Bt1.5bn ($28m). Its current capital totals Bt5bn.

"At present we are in talks with a few potential investors from Asia to the US," said Sirichat A. Voravudhi, adding that HongKong and Shanghai Bank had expressed interest in taking a stake. *AFX-Asia, Bangkok*

■ AGRIPRODUCTS

Monsanto may target Solaris

Monsanto, the St Louis-based biotechnology, pharmaceuticals and agriproducts company, said yesterday it was considering alternatives – ranging from divestiture to joint ventures – for "several of its businesses" as it concentrates on its core "life sciences" activities.

It singled out its Solaris lawn and garden products business as one potential candidate for sale or some form of reorganisation. The subsidiary is based in California and employs around 400 people in North America, Europe and Australia. It sells under the Ortho and White Swan seed brands in the US, and also makes Monsanto's leading Round-up herbicide for residential use. In the UK, where Solaris has a manufacturing facility in Corwen, the main brand name is Prostrogen. The company said that evaluation of the Solaris unit would be completed "as quickly as possible in 1998". *Nikki Tait, Chicago*

■ FAST FOOD

McDonald's to expand in Mexico

McDonald's, the US fast food chain, will invest $100m in Mexico over the next three years, adding 100 stores to its current 131-strong network, said James Cantalupo, McDonald's international chief executive officer.

"In terms of potential, it [Mexico] ranks very high," he said. Mr Cantalupo said the company currently employed 7,000 people in Mexico and expansion should add another 5,000 employees. *Reuters, Mexico City*

Storm clouds gather over Peregrine's recovery strategy

Zurich Group today reveals details of its revised cash-for-shares deal with the troubled Hong Kong-based investment bank

The revision of the centrepiece of its financial restructuring – a US$200m cash-for-shares injection from Zurich Group – has thrown Peregrine's recovery strategy back into question.

The Zurich deal was supposed to draw a line under the troubles of the past year, which included losses from the meltdown in south-east Asia and widespread speculation that nemesis was at hand for the fast-growing Hong Kong-based investment bank.

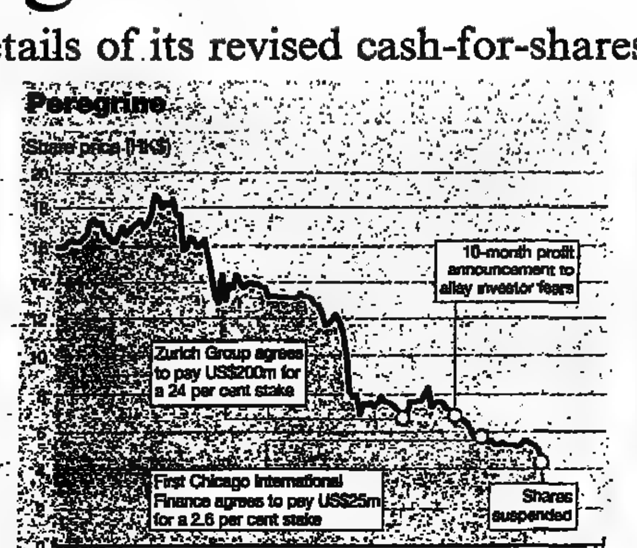
But that line was redrawn yesterday, after the Swiss financial services group revised its terms. When the new deal is unveiled today, it is expected that Peregrine's sizeable exposures to questionable credit will have seen most of the bargaining chips lined up on Zurich's side of the table.

The Swiss financial services group originally planned to pay US$200m for a 24 per cent stake, which would have made it the biggest single shareholder. Previously, that mantle belonged to Peregrine International Holdings, a privately held company made up of some of Hong Kong's most powerful business figures, including Li Ka-shing.

After the Zurich deal was announced, other suitors came forward and last month a subsidiary of First Chicago NBD, the US bank holding company, agreed to pay $25m for a 2.6 per cent stake. Analysts expect the US bank will also demand new terms in the light of the Zurich revision.

The latest twist in Peregrine's efforts to reinvent itself began with an Indonesian cab company and its ramifications go far beyond Peregrine itself.

"They are seen as a leader here, and home-grown material," says Steven Thompson, chief analyst at Nikko Research Centre in Hong Kong. "For them to fall from grace is obviously a reflection of Hong Kong's broking community altogether – and financial services is our *raison d'être*."



Source: Datastream/ICV

But the Indonesian debacle suggests Peregrine has been a victim of more than the Asian financial crisis – its undoing was also precipitated by an aggressive thrust into the arena of Asian junk bond debt and other loans.

One banker says: "If Peregrine had stayed with the business it knows – Hong Kong equity agency broking, block trades, relationship deals – 1997 would have been a record year for them. I think now they will shrink back to more traditional broking."

The dangers of going beyond traditional business have been highlighted by Steady Safe, an Indonesian cab, bus and ferry company for which Peregrine was underwriting a Rp534bn ($89m) rights issue.

Peregrine will not comment on whether it has any loans outstanding to the group, but analysts' calculations suggest it could be left with estimated losses of about US$170m, or almost one-fifth of its $900m capital base.

The sort of risk management that led to such a hefty exposure "would not occur in terribly many organisations", one analyst dryly observes. He notes that Zurich must have arrived at a similar conclusion, and will – with other investors – be further questioning Peregrine's disclosure.

Peregrine: reflection on Hong Kong's broking community

In an industry where money and confidence go hand in hand, clients too may start to reassess their dealings with Peregrine, analysts say. The company has already seen one China IPO mandate snatched by Morgan Stanley: agency business is now vulnerable.

If fund managers switch houses to buy and sell their shares, revenues at Peregrine will start to contract at a time when provisions and losses are rising because of the market turmoil.

Client jitters are unlikely to be wholly calmed by today's announcement. The revision means that this month's scheduled shareholders' special meeting will be postponed until February.

"Until it's a done deal it is not a done deal. We have no reason to believe this Indonesian company is a one-off and that there aren't more skeletons in the cupboard," says the banker.

Peregrine has already taken steps to defend its reputation and head off this type of speculation – to the extent of hiring investigators to track down rumour-mongers. It also sought to deflect concerns by publishing post-interim results, which showed profits fell almost HK$250m (US$32.3m) in the four months from end-June.

However, this *glasnost* did little to prevent the skittering share price. Trading in the stock remained suspended yesterday – the company requested suspension on Wednesday after the share price fell 14 per cent in the morning – and it closed at HK$4.30, less than a quarter of its HK$18.90 all-time high.

Louise Lucas

Rolls-Royce enthusiasts plan $1bn bid

By John Griffiths, Emma Tucker and Alexander Nicoll

A consortium of enthusiasts wanting to keep Rolls-Royce Motor Cars in British hands said yesterday it would raise up to £680m ($1.1bn) to mount a bid for the luxury carmaker, which is being sold by Vickers, the engineering and defence group.

The consortium, the Rolls-Royce Action Group, is led by Michael Shrimpton, a barrister, and its supporters include Professor Sir Magdi Yacoub, the heart surgeon, and the granddaughter of company co-founder Sir Henry Royce.

Meanwhile, the European Commission indicated it would not be able to act quickly on a complaint from Vickers against Rolls-Royce, the aircraft engine manufacturer, over the latter's rights to intervene in the sale of the car maker.

Vickers says 1973 licence agreements giving Rolls-Royce, as owner of the name, the right to prevent sale of the car maker to a foreign buyer breach European competition law, while Rolls-Royce maintains the agreements were approved by the Commission.

The Commission said approval was given in 1973 in the form of a "comfort letter", which is not legally binding and is an administrative device to speed up competition decisions.

The dispute over rights to the name could have an important impact on the sale process, which Vickers hopes to complete by March. It fears Rolls-Royce favours BMW in the auction; while Rolls-Royce insists it is simply protecting its rights to its own name.

Lazard Brothers, the merchant bank managing the sale, is issuing prospectuses to parties regarded as serious bidders, understood to include BMW, Mercedes-Benz, Volkswagen, Toyota and Formula 1 motor racing promoter Bernie Ecclestone.

Vickers remains willing to receive a bid from the British action group. "It is an open sale and we will accept any participation provided it is credible," it said.

"We want to stop it falling into foreign hands," said Mr Shrimpton. "There is tremendous concern among our members about the loss of a famous British company and loss of national prestige. If BMW wins, will there still be a Rolls-Royce?"

The group is writing to all 20,000 Bentley and Rolls-Royce owners to raise funds, as well as seeking institutional finance.

Mr Shrimpton said the group had the support of two large property developers and was talking to potential backers in south east Asia, the Middle East and Australia.

Vickers insiders, however, felt the group would find it difficult to make the investment in the new model programmes needed to ensure the company's long-term future.

Vickers, which hopes to raise £400m according to City estimates, believes at least £600m of investment is needed on top of the purchase price.

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LEX COMMENT

Granada

The protest welling up against the large sums paid to Granada executive directors for slimming their termination packages from three years pay to two if the company is taken over is welcome. Special clauses in directors' contracts featherbedding them in the event of a takeover are dubious to say the least. True, executives could conceivably have less incentive to frustrate bids that are in shareholders' interests if they are protected from the consequences of losing their jobs. But, equally, the prospect of a big pay-out could induce executives to sell out on the cheap.

In Granada's case, actually paying five already well-paid directors nigh on £400,000 in compensation for taking away their right to receive full pay three years after a takeover is rich.

For sure, the value of their contracts has been reduced. But no other company of Granada's stature has paid its directors hard cash now for something contingent on an improbable event. Not only does the willingness to take this cash by Gerry Robinson, Granada's chairman, and four others, imply a sense of vulnerability to predators; it is also bad for morale in the less exalted echelons of the company.

Granada's remuneration committee seems to have been sleeping on the job. Given that the interests of directors and shareholders have diverged with this pay-out, the executives would be wise to hand back the cash. Weasel schemes that attempt to set the pay-outs against future bonuses would not be edifying.

Lonrho mulls direct offer for Anglo

By Andrew Edgecliffe-Johnson

Lonrho is believed to be considering a direct approach to Anglo American Corporation to buy Anglo's 26.1 stake in the UK-based conglomerate. The move would mean scrapping its original ambition of buying the shares back through a takeover of JCI, the South African mining group.

Lonrho's informal offer approach to JCI was dependent on a proposed deal under which Anglo would give JCI the stake in return for JCI's best gold assets, the Western Areas and HJ Joel mines.

However, the JCI/Anglo deal is believed to have encountered resistance from some JCI shareholders, notably Saflife which has 30 per cent of the shares. Some analysts fear it may be jeopardised by last month's board changes at JCI.

Anglo has to dispose of the stake within a year, under a European Commission ruling, and Lonrho is expected to make a direct offer to the South African conglomerate if there is no progress in its talks with JCI.

JCI will hold a board meeting today, at which it is also expected to discuss a dispute with Southern Mining Corporation, the Johannesburg-listed mining junior, which could present another obstacle to a Lonrho takeover.

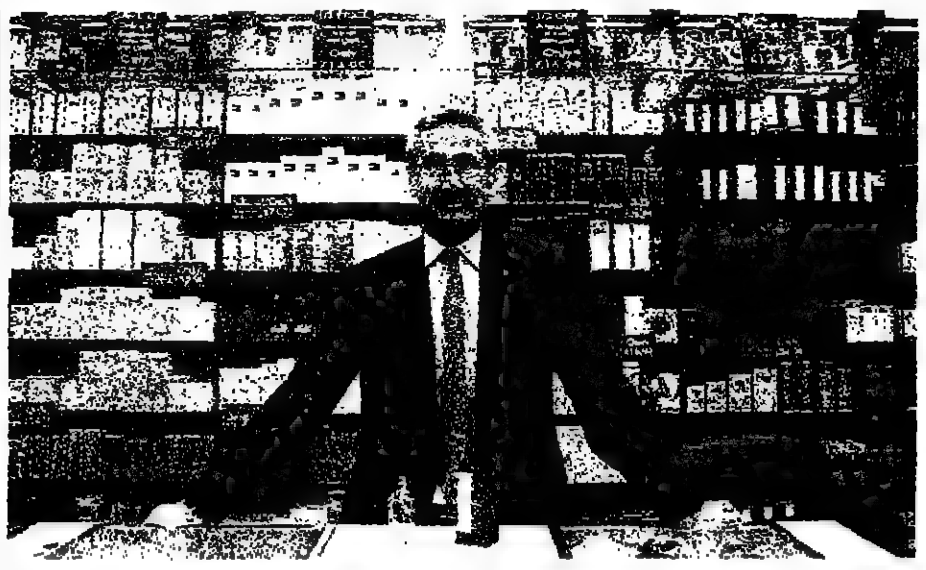
JCI yesterday advised shareholders that they should "exercise caution" in dealing in its shares, as it alerted them to the dispute with SMC, but it also expressed an interest in "a future association" with the smaller company.

SMC's dispute centres on JCI's decision last month to revoke a R252m ($51m) offer made by Mzi Khumalo, JCI's chairman, for a 20 per cent stake in SMC. Mr Khumalo had to resign his executive role as a result.

Other JCI directors objected to the fact that they were not consulted by Mr Khumalo, who also holds options in SMC and sits on its board.

SMC has so far filed no legal claim over the issue, but Lonrho is thought to be unwilling to acquire JCI unless it is resolved. Despite the board's objections to Mr Khumalo's proposed deal, JCI said yesterday that SMC "owns several heavy mineral deposits which are of interest to JCI".

JCI was considering prospects in the titanium and zircon industries, it said, and has formed a committee to meet SMC to discuss the matter further.



Brenddan Corr

Phillip Newton, chairman of The Perfume Shop and managing director of the Merchant Retail Group was among a raft of specialist and smaller retailers who issued positive trading statements after a robust Christmas period. Merchant Retail reported comparable sales 14 per cent ahead of last year for the 13 weeks to December 27. Signet, the jewellery chain reported a 8.3 per cent like for like for the nine weeks to January 3.

WH Smith in talks to sell Waterstone's chain

By Alice Rawsthorn

WH Smith, the retail group, is believed to be negotiating the sale of Waterstone's, one of the UK's largest bookselling chains, to a joint venture between Tim Waterstone, the chain's founder, and the EMI Group.

Mr Waterstone, recently rebuffed in an attempt to take over the entire WH Smith group, is thought to have agreed terms last month to mount a joint bid for Waterstone's with EMI, one of the world's largest record companies and the owner of Dillons, Waterstone's arch-rival.

Both WH Smith, which had planned to demerge Waterstone's in a stock market flotation this spring, and EMI declined to comment. However, it is understood that terms of the deal, including the price, were agreed before Christmas, and that due diligence is now underway.

If the deal is completed, EMI and Mr Waterstone would be likely to form a new company combining Waterstone's with Dillons and HMV, the EMI subsidiary which is among the UK's biggest music and video chains. With more than 450 stores, the new company would be one of the largest European-owned retailers of books, music, computer games and videos.

A future option for EMI, advised by SG Warburg, and Mr Waterstone, who is advised by Merrill Lynch and backed financially by the Advent venture capital group, might be to float the new company.

Cobham upgrades purchase plans

By Joan Gray

Cobham, the aerospace and engineering group, is prepared to spend up to £200m ($325m) on a big acquisition.

The company said last autumn that it hoped to use a number of small acquisitions to help raise annual turnover 50 per cent to about £450m within three years. It said it planned to spend about £40m on purchases in the next year. However, it has now scaled up its longer-range plans to take advantage of opportunities in the aerospace industry.

Giles Irwin, group financial director, said the company is not setting an upper limit "because we think there are going to be opportunities in the restructuring of the aerospace industry".

The company announced three small US purchases yesterday. Lincoln Laser, based in Phoenix, Arizona, was acquired by Westwind Air Bearings, a Cobham subsidiary, for $8.5m cash.

Nurad, which manufactures antennae for space satellites, was bought by Cobham subsidiary Chelton Communications for $5.6m cash. The passive microwave components business of Premier was bought for $1.8m cash.

US competition restrains Coda

By Christopher Price

Shares in Coda Group fell 12 per cent yesterday after the software group reported annual pre-tax losses of £1.8m ($2.93) well below market expectations.

Coda blamed the "disappointing" losses, which compared with losses of £4.9m and analysts forecasts of break-even, on competitive market conditions in the US.

The shares closed down 17½p at 126½p.

The company has been developing its US business as part of a strategy to move away from servicing the mainframe market and developing software for companies' client server networks.

Robert Brown, chief executive, hailed the 22 per cent rise in sales to £41.2m – boosted by a 54 per cent rise in client server revenues at £28m – as evidence that the strategy was working.

"Our objective is to return to profit in the current financial year," he said. Coda was last in the black in 1995.

Coda is shortly to relocate its US operations to north Virginia, which it described as the "new Silicon Valley."

LucasVarity buys rest of Freios Varga

By Andrew Edgecliffe-Johnson

LucasVarity, the Anglo-American car components maker, is taking control of Latin America's largest brakes manufacturer, with a $115m (£70.5m) agreement to buy the 66 per cent of Freios Varga which it did not already own.

The deal comes amid industry predictions that *Brazilian automotive sales* could fall by about 20 per cent in 1998 because of the country's recent economic turbulence.

However, LucasVarity said: "We are in this for the long term."

LucasVarity is buying only the voting shares from Varga Participações, the *family-controlled owner.*

The deal excludes the preference shares, worth an estimated £45m.

Freios Varga, which has been a joint venture partner of Lucas Industries since 1969, produces light and heavy vehicle brake components, such as calipers and rotors.

LucasVarity is keen to build up Varga's antilock braking systems (ABS) business.

It plans to use Brazil as an export base for the region, raising export sales from a quarter to a third of Varga's total output by 2000.

The group had been criticised *for having a small presence in Latin America's car market*, which is expected to expand at a rate of about 10 per cent a year for the next five years, in contrast to relatively flat markets in the US and western Europe.

Watmoughs points to niche markets

By Andrew Davis

Watmoughs, the printer, yesterday pointed to its strength in growing niche markets as it set out the second plank of its defence against a hostile £188m ($306m) bid from Quebecor Printing of Canada.

The company also said its 1997 profit forecast, due with its final defence document a week today, would be "above our expectations at the time of the interims". James Powell, finance director, indicated there was also likely to be information on the dividend and margins.

The average pre-tax profit forecast by analysts for Watmoughs in 1997 is £18.3m, down from £22.2m in 1996.

The company emphasised that it was not a "commodity printer" and saw its future in adding value by improving its service in specialist markets.

The volume of newspaper supplement pages it printed grew 15 per cent between 1993 and last year, against an industry rate of seven.

The document was generally well received by analysts, who felt Quebecor would have to push its offer to at least 300p from its current 257p to win Watmoughs, with one pointing to 330p as a realistic figure.

Charles Cavell, president and chief operating officer of Quebecor, dismissed Watmoughs' arguments: "If the markets are so wonderful, how come the results have been so poor?"

BOC divestment poses long division problems

Buyers seem not to want the healthcare unit as a whole, **Michael Peel**

BOC, the industrial gases group, will do well to raise more than £750m ($1.2bn) from the sale of Ohmeda, its healthcare division, according to analysts.

The price predictions, which in some cases are as low as £500m, are much less than the £800m-£1bn range mooted by analysts last July, when BOC announced its intention to sell the division.

One corporate financier who was involved in the bidding late last year says: "There are four pieces in Ohmeda and nobody wants all of it. That's the reason why it's taking so long."

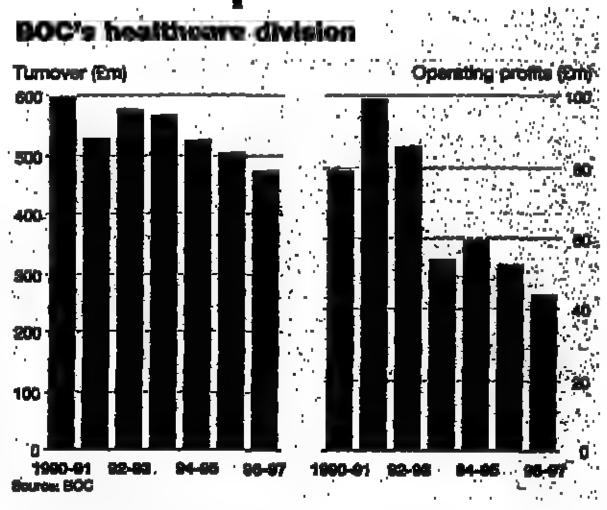
The healthcare division consists of four businesses: pharmaceutical products, medical systems, medical devices and speciality products.

With the sale process in its final stage, there are few clues to the identity of bidders, although BOC hints it is considering more than one offer.

"We have good people making us offers for the business and now we are going to talk to them," says Christopher Marsay, the group's investor relations manager.

BOC is selling Ohmeda as part of its strategy of focusing on its core industrial gases business.

The division has been in decline since its patent on Forane, a commonly used anaesthetic gas, expired in 1993.



Last year, Ohmeda made profits of £44.5m on sales of £477.4m, compared with 1991-92 profits of £99m on sales of £530.4m.

Several analysts have expressed concern that the sale was not concluded by the end of 1997.

Smiths Industries, the aerospace, medical and industrial systems group, and Zeneca, the pharmaceuticals company, have both expressed interest in parts of Ohmeda.

However, Zeneca would want to buy only the pharmaceuticals business, while Smiths Industries would want everything but that.

Analysts say other potential buyers of parts of Ohmeda might include US healthcare groups Johnson & Johnson, Abbott Laboratories and Baxter International; Mallinckrodt, the US chemicals group; and Astra, *the Swedish pharmaceuticals* company.

BOC has expressed a strong preference for selling Ohmeda whole. But most analysts suggest the group will struggle to find a single buyer for all four divisions, a factor likely to undermine the price.

Some suggest the initial price estimates were unrealistic. "I don't think BOC have ever conceived it would be near £1bn," says Michael Eastwood, chemicals analyst at Dresdner Kleinwort Benson. "I think they were looking at £500m to £700m."

Mr Eastwood suggests BOC might announce a buyer for Ohmeda at the annual meeting on January 16. At the AGM, BOC will seek authority for its directors to buy back up to 10 per cent of its shares.

Mr Marsay said the AGM resolution was linked to the sale of Ohmeda. "When you know you are going to receive some proceeds in the not too distant future, you need to look at all the options for employing it."

BOC says it is unlikely to use the proceeds to acquire another large industrial gases company.

National Power deal in Zimbabwe

National Power, the large UK generator, yesterday confirmed that the group and its partners had been awarded the exclusive right to develop a 1,400MW power station in Zimbabwe.

The company said it would invest up to $400m in a majority equity stake in the project. Its partners would be the Zimbabwe Electricity Supply Authority, ZESA, and Rio Tinto Zimbabwe.

The station's output will be sold through a 25-30 year power purchase agreement with ZESA. The coal will be supplied by Rio Tinto.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abbey ♣	6 mths to Oct 31	39.8	(28.9)	7.56	(3.56)	13.08	(8.16)	3	Feb 17	2.2	-	6.8
Allied Textile	Yr to Sept 30 ☆	231.7	(227)	16.3♥	(15.9♥)	16.6	(16.3)	5.7	Apr 2	5.2	8.45	7.8
Coda	Yr to Oct 31	41.2	(33.9)	1.78L	(4.9L♠)	7.4L	(18.8L)	nil	-	nil	nil	nil
Goode Durrant	6 mths to Oct 31	95.5	(70.2)	17.4	(15.2)	21.7	(18.5)	3.75	Feb 12	3.2	-	10
Helton ♣	6 mths to Oct 31	84.2	(71.8)	5.74	(4.65)	8.22	(6.47)	2.1	Apr 6	1.65	-	3.9
Hi-Tec Sports	6 mths to Oct 31	46.6	(47.7)	1.22	(0.921)	1.8	(1.1)	0.6	Apr 17	nil	-	1.2
Howard	6 mths to Oct 31	1.78	(2.62)	0.149	(0.186)	0.4	(0.5)	0.2	Feb 16	-	-	0.8
RCO	Yr to Oct 3	55.5	(48.2)	1.19♠	(1.32♥)	7.73	(8.58)	11.05	Apr 1	11.05	16	16

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
City of London	6 mths to Dec 31	-	(-)	-	(-)	-	(-)	1.66※	Feb 27	1.42	-	5.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ♣Irish currency. ☆ Comparatives restated. ΦAim stock. ※Second interim, making 3.2p (2.84p) so far.

MANAGEMENT

Viewpoint · W. Chan Kim and Renée Mauborgne

Building trust

Be fair, then you can be tough

Flying across the Atlantic, we recently found ourselves watching a film called *The Fifth Element.* Space ships zoomed by. The future had arrived. The information age as we know it today looked antiquated and naive. But for all the progress in science and technology portrayed in the film, *its fundamental insight is* thousands of years old.

The fifth element, the one that could save the world and make the other four elements of wind, fire, water and earth unite to form a formidable force, was not technology or science. It was a person. This person was perfect not only because she had brilliance and strength, but because she had empathy and respect for others. Yet, although she possessed the power to save the world she herself could only find the strength to continue when she received empathy and respect from a fellow human being.

We may be entering the digital age and the knowledge economy, but, fundamentally, as in *The Fifth Element,* no matter how far we advance in technology, it is people and the strength of our humanity that drive our companies and our societies.

We set out nearly a decade ago to understand what it will mean for companies to manage effectively in the "knowledge economy". What will it take for us to unlock the ideas and creativity of individuals on whom our organisations depend? How can we inspire people to trust each other and co-operate as companies transform themselves to meet the demands of the future?

The central idea that emerges from our research is this: individuals are most likely to trust and co-operate freely in sharing their ideas when they feel recognised for their intellectual and emotional worth through what we call "fair process". Fair process – *fairness* in the process of making and executing decisions – is at the heart of building trust and unlocking ideas.

Without fair process, even outcomes that employees might approve can be difficult to accomplish. But with fair process, the most painful and difficult goals can be achieved while gaining the voluntary co-operation of the employees affected.

Consider the case of Siemens-Nixdorf Informationssysteme (SNI), the largest European supplier of information technology. Created in 1990 when Siemens acquired the troubled Nixdorf Computer Company, SNI had cut head count from 52,000 to 35,000 by 1994. Anxiety and fear were rampant in the company.

Yet, Gerhard Schulmeyer, the newly appointed chief executive in 1994, was able to earn the trust and voluntary co-operation of the company during this extremely tumultuous time. He accomplished this by means of the three bedrock principles of fair process: continuously *engaging* people in the process, *explaining* to them the logic of the actions being taken and why they were essential and *setting clear expectations* of what employees could expect on the road ahead.

Mr Schulmeyer went out to *talk to as many employees as he* could. In a series of meetings large and small with a total of more than 11,000 people, he began by painting a stark picture of SNI's position. The company was losing money despite recent efforts to cut costs. Deeper cuts were needed and every business would have to demonstrate its viability or be eliminated. He set clear but tough rules about how decisions would be made. People *may not have liked what they* heard, but they understood. He then asked for volunteers to come up with ideas.

Within three months the initial group of 30 volunteers grew to an additional 75 executives and 300 employees. Through these agents of change, the group swelled to 9,000 as others were recruited to help save the company.

Ideas were solicited from managers *and employees alike* and they all understood how decisions affecting them would be made. Ideas would be auctioned off to executives willing to back them with a budget. If no executive bought a proposal on its merits, the idea would not be pursued. Although 20-30 per cent of their proposals were rejected, employees thought the process was fair.

Despite accumulated losses of DM2bn (£690m), by 1995 SNI was back in the black. Employee satisfaction doubled over two years in spite of the difficult changes.

Contrast this understanding of fair process with the recent closure of Renault's Belgian plant. Many workers first heard on the radio that their plant would be shut down, even though it was one of the most productive in the Renault group. With no engagement in the process, explanation of why it was necessary or clear set of expectations expressed, employees felt disrespected, betrayed and vulnerable. In the absence of fair process, the ensuing strike supported by union members across Europe was not surprising.

Fair process responds to a basic human need. We all want to be valued as people, not as "labour", "personnel" or "human resources". We want to be respected for our intelligence. We want our ideas to be taken seriously. And we want to understand the rationale behind decisions.

To put fair process to work in your company, begin by asking these questions. Do we engage individuals in decisions that affect them by not only asking for their input, but allowing them to challenge the merit of others' ideas and assumptions? Do we provide a sound explanation that allows everyone involved and affected by a decision to understand why final decisions are made as they are and why people's opinions may ultimately have been overridden?

Finally, once a decision is made, do we state clearly the new rules of the game? Although the expectations may be demanding, employees should know by what standards they will be judged and the penalties for failure. What are the new targets *and milestones? Who is responsible* for what?

For people to invest their mind and emotion in their organisations, they need to be treated as though they matter. Fair process does that.

W. Chan Kim is The Boston Consulting Group Bruce D. Henderson Professor of International Management at Insead, France. Renée Mauborgne is the Insead Distinguished Fellow and Affiliate Professor of Strategy and Management. She is also president of ITM Research.

They are the authors of Fair Process: Managing in the Knowledge Economy (Harvard Business Review, July-August, 1997), on which this article is based.

Tony Jackson questions received wisdom about the benefits of globalisation

Keep the home fires burning

One of the great clichés of management today is the need to be global. The world is shrinking, and the company which stays at home is painting *itself into a corner.* To be local is to be small, and to be small is to be vulnerable. Get global or die.

Wait a minute, though. The past decade has shown that it does not pay to be in too many businesses at once. Most of the big old conglomerates have died or been broken up. As the world's markets evolve, might it not also be possible to be in too many countries?

This idea was raised in an investment column by my colleague Peter Martin some weeks ago. One of the arguments against conglomerates is that in today's capital markets portfolio investors can diversify by sector on their own account. They do not need corporate management to do it for them. Given the march of global investment, the same might one day be true of geographic diversification.

The case can also be argued in management terms. The average conglomerate may achieve economies of scale, but it can impose heavy costs on its subsidiaries at the same time. Head office knows less about each business than local managers do, but it imposes its policies *regardless. Managers,* meanwhile, may spend more time pleasing head office than they do the customer.

The same can apply to a geographically diverse company, even one focused by product. Suppose you are a Paris-based biscuit manufacturer with plants in Canada and Sweden. Just what advantages do those businesses have against Canadian and Swedish competitors? Might you not create value by spinning them off, or selling them and returning the cash to shareholders?

This is not to deny that some global companies are highly successful. But so are some multi-business companies, such as General Electric or AlliedSignal. In both cases, the burden of proof is on head office to show that the individual businesses are worth more together than apart.

Granted, some industries are naturally more global than others. Oil explorers or mining companies seek their raw materials wherever they are to be found. Coca-Cola and McDonald's sell not fizzy drinks or fast food, but an idea of America, which local producers can scarcely duplicate.

At the other end of the scale, take house building. Construction techniques and land purchase vary radically from country to country. A Scandinavian builder seeking to operate in southern Italy would find previous experience a positive handicap.

The question is not whether the global company adds value. It is whether it adds more than it simultaneously subtracts

Between those extremes, a great deal depends on two things. The global company *must be able to transfer* relevant knowledge – on manufacturing, marketing or the efficiency of processes in general – from one country to another. And such knowledge must be in short supply among local competitors.

The second of those conditions presents something of a paradox. The economies that most attract global companies *are the fast-growing ones:* that is, those that are catching up. The faster they do it, the sooner the information gap will close.

In any case, the real question – as with conglomerates – is not whether the global company adds value. It is whether it adds more than it simultaneously subtracts; whether its efficiencies are greater than its inherent inefficiencies.

The maxim "think globally, act locally" is of relevance here. *Today's fully fledged global* company, as opposed to the old-style multinational, aims to minimise its inefficiencies by making its local subsidiaries as autonomous and indigenous as possible.

One such global company, Unilever, reorganised itself some 15 months ago into a regional structure. Where local businesses were once grouped for reporting purposes by product, such as food or detergents, they are now assigned to Latin America, Africa and so forth.

As Unilever emphasises, it is still knitted together by its product expertise. But in the past, the group has been active in slimming down its product portfolio. It is not wholly fanciful to imagine it slimming down its country portfolio in future.

To many managers, this may sound like heresy. The function of a business is to grow, not to fragment. But an older generation of managers would have said just that about the current fashion for demerger. It depends what you are measuring – revenues, or shareholder value.

The UK bank with the highest reputation for shareholder value is Lloyds. This is often *attributed to the fact* that unlike rivals Barclays or NatWest, it has stayed clear of investment banking or stockbroking. But it is also much more focused on the UK, having reduced global business sharply after the Latin American banking crisis of the early 1980s.

It may be, as some critics of Lloyds argue, that this will ultimately limit its growth, and *lead to it being absorbed* by some global financial colossus. If so, it will have done an excellent job of realising value for its shareholders. Whether the colossus will have done the same is quite another matter.

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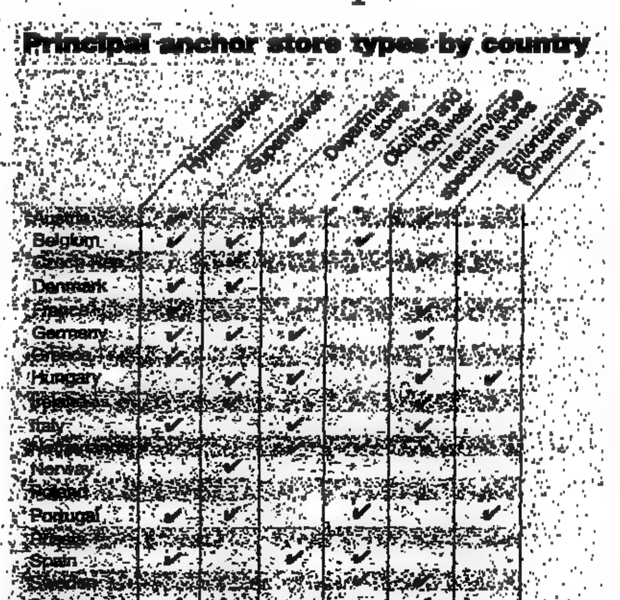
THE PROPERTY MARKET

An anchor in the centre

Norma Cohen looks at the importance of flagship stores



Is shopping a necessary chore, a leisure activity or an art form?

Owners of shopping complexes have been pondering this question for years, developing still more plans for design, construction and ambience aimed at enticing still more cash out of people's pockets.

But what remains clear is that, no matter which innovative sales angle developers dangle in front of shoppers, a centre cannot attract a critical mass of shoppers without a significant purveyor of a critical mass of goods.

And that means finding the right "anchor" – the mass retailer with the single largest floorspace in the centre – to draw in the right mix of shoppers.

So who, then, is the ideal anchor?

In the UK, there is growing consensus that food retailing and shopping malls – at least larger ones – do not mix. Capital Shopping Centres, owner of some of the UK's leading centres, recently announced plans to move Asda, the food retailer that is one of the anchors of its landmark MetroCentre in Gateshead in the north-east of England, to a new site and replace it with Debenhams, a department store.

"At the MetroCentre, we found that the footfall into the Red Quadrant [where Asda is located] from that entrance was not as high as from other entrances," says Douglas Leslie, chief executive of Capital Shopping Centres. "People were entering through Asda but they were going right back out again.

"It is highly debatable whether food shopping ever had any synergy with comparison shopping."

That view, too, has been heard from Martin Barber, chairman of Capital & Regional Properties. "We believe that large supermarkets selling food are not a draw to a shopping centre," he said in a recent speech. "Although conventional wisdom previously determined that it was, we believe that this is no longer the case."

But that is by no means a consensus view. Earlier this week, Chesterfield Properties announced it had purchased The Forge, one of Scotland's largest shopping centres at Parkhead in Glasgow for £67.5m ($110m) – nearly twice the price paid paid for it four years ago.

Its anchor tenant is a 125,000 sq ft Asda supermarket. "We love supermarkets," says David Henderson-Williams, director of Chesterfield. "They bring people back day after day."

Most of Chesterfield's UK shopping centres also have a food retailer. Its one US shopping centre, in Hialeah, Florida, languished under its former anchor tenant, Phar-Mor, but has flourished since the installation of a Winn-Dixie supermarket chain. And that is in a country which has abjured the installation of supermarket anchors at the largest malls.

David Robinoff, managing director at Eastdil Realty Co in New York, says: "You just don't have that combination in this country."

He says people who have stocked up on perishable goods do not want to lock them in their cars for a few hours while they take in the other sights at the mall. "I wouldn't dream of locking perishables in my car between April and October in this country," he says.

Moreover, food and clothing shopping trips are really about different things. "When you go food shopping, people are indifferent to quality." The lack of differentiation between US food retailers – both in price and quality of goods – discourages comparison shopping. But there is great differentiation among fashion retailers.

Supermarkets, says Mr Robinoff, are typically located in or near residential centres that are a few minutes away by car, and are at best 35,000 sq ft arrangements which anchor a strip mall of smaller convenience-type shops. But the developer of a regional mall, which is hoping to draw shoppers from a 20-mile radius, wants a 35-acre site, Mr Robinoff says. "And you just can't get a 35-acre site smack-dab in a residential neighbourhood."

Michael Creamer, a New York-based partner at Healey & Baker, the property consultants, says the US obsession with "bigness" plays a role. "People in America in the suburbs have a big car and they go and fill up their big car with a big shopping. You go out and buy 50 rolls of loo paper. There's no room in the car for anything else."

A visit to a regional shopping mall, on the other hand, he says "is a religious experience. In America, people like to separate church and state." It is the leisure-like quality of US shopping that attracts people to shopping malls, not the need to acquire basic necessities.

Moreover, he says, the physical requirements of supermarkets defeat the purpose of a mall. If you have a supermarket, it must offer direct access to the car park. "You need an exit door for a supermarket," he says, "but the last thing you want to do is to let them out until they have walked past the window of every other retailer."

However, the perceived wisdom in the US is far from universal. According to research by Healey & Baker, it is typical to find supermarkets as anchors in many European countries, including Belgium, Denmark, Germany and Portugal. France shows a preference for a so-called hypermarket anchor. Yvonne Court, retailing specialist at Healey & Baker, says restricted shopping hours in some European states may be part of the explanation.

Also, the degree to which supermarkets are desirable anchors may depend on the degree of retailing sophistication of the population generally, says Jonathan Tinker, of Chelverton Properties which specialises in European retail and leisure parks. "The richer economies anywhere will have less focus on basic goods relative to overall consumption," he notes.

In Poland, where the average annual per capita income is $3,000, a high percentage of expenditure goes on food than on anything else. But in Germany, with income of $22,000, shopping patterns differ.

Thus, understanding the nature of shopping depends on the socio-economic context in which it occurs. In developing economies, it is a necessary chore and in wealthier ones, a leisure activity. And in the most well-off, it is an art form.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on 09.01.98 — Final Prices for Trading on 12.12.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	[illegible]	[illegible]	[illegible]	[illegible]
0100	[illegible]	[illegible]	[illegible]	[illegible]
0130	[illegible]	[illegible]	[illegible]	[illegible]
0200	[illegible]	[illegible]	[illegible]	[illegible]
0230	[illegible]	[illegible]	[illegible]	[illegible]
0300	[illegible]	[illegible]	[illegible]	[illegible]
0330	[illegible]	[illegible]	[illegible]	[illegible]
0400	[illegible]	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]	[illegible]
0530	[illegible]	[illegible]	[illegible]	[illegible]
0600	[illegible]	[illegible]	[illegible]	[illegible]
0630	[illegible]	[illegible]	[illegible]	[illegible]
0700	[illegible]	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]	[illegible]
0830	[illegible]	[illegible]	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]	[illegible]
0930	[illegible]	[illegible]	[illegible]	[illegible]
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1030	[illegible]	[illegible]	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1300	[illegible]	[illegible]	[illegible]	[illegible]
1330	[illegible]	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]	[illegible]
1430	[illegible]	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]	[illegible]
1530	[illegible]	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]	[illegible]
1630	[illegible]	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]	[illegible]
1830	[illegible]	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]	[illegible]

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Continuing Asian crisis and rate hopes lift prices

GOVERNMENT BONDS

By Simon Davies and Vincent Boland in London and John Labate in New York

Government bond markets moved sharply higher, encouraged by the continuing crisis in Asia and high level statements about the possibility of interest rates easing in the US.

The big falls in the financial markets of Indonesia and Hong Kong encouraged further confidence that the latest Asian miracle will be in the exporting of sustained disinflation to the western world.

The **UK GILTS** market was particularly strong, as traders reacted to the decision of the Bank of England's monetary policy committee not to move on interest rates. Yields on long-dated bonds broke through 6 per cent, their lowest since April 1964.

Analysts were quick to draw favourable parallels between the economic environment in the 1960s and the 1990s to suggest that the *yield might continue to fall* well below its closing level yesterday of 6.015 per cent.

In the mid-1960s the UK enjoyed a period of low inflation, low interest and steady economic growth very much like the environment that some City analysts insist is around today.

"In terms of inflation, short and long-term interest rates and average returns, the parallels are striking," said Andrew Roberts, gilt analyst at UBS. "There is no reason to suggest that 6 per cent forms anything of a barrier to a further reduction in the yield." Yields hit 5.2 per cent in 1963.

The March future settled *⅜ higher yesterday at 123⅜*, and in the cash market, the adjusted yield spread against 10-year bunds narrowed to 99 basis points. Investors seemed little concerned by the CBI distributive trades survey, which provided further confirmation of a bounce in retail sales in December and showed expectations that volumes will pick up this month.

"The supply/demand side is a supporting factor at the longer-end of the market. But we are sceptical about the gilts market," said Paul Abberley, director of Lombard Odier Investment Management.

"The UK's inflation rate is above target, and we believe that there needs to be a significant economic slow-down before it really bites into core inflation."

GERMAN BUNDS were also strong performers, helped by weaker than expected industrial order numbers for November. The March contract in London settled at 105.88, 0.53 higher.

Analysts suggested the Asian crisis could be beginning to bite into Germany's export orders, and exporters have been the main driver of the country's economic recovery. There are, therefore, growing hopes that interest rate increases are becoming a distant prospect.

Phyllis Reed, director at Barclays Capital, said: "I think that it is time for the yield curve to steepen, with the short-end outperforming."

Ms Reed suggested that talk of stable interest rates would bring down yields at the short-end of the curve.

The French government enjoyed strong support for a FFr23bn bond auction yesterday, with the 28-year issue three times covered.

The March future in Paris settled 0.44 higher at 101.94 having peaked at 102.64.

ITALIAN BTPs continued on their upward trend, in line with European and US markets. The March future settled at 117.14, up 0.37, after a record mid-session high of 117.22. Cash bonds closed at 104.74, up 0.25, but the spread against bunds was marginally wider at 31.

SPANISH BONOs hit a new peak on the final day of successful government bond auctions and in response to strong foreign markets. March futures finished at 107.19, up 0.41. The spread against bunds edged up to 30 basis points, still tightly in line with Italy's.

US TREASURIES climbed after new figures on producer prices sparked fresh debates on deflation. By early afternoon the benchmark for 30-year bond was 19/32 higher at 105 19/32, *sending the* yield down to 5.739 per cent.

Shorter-term issues also rose, with the 10-year note up 13/32 to 104 13/32, yielding 5.473 per cent. The two-year note was also higher, gaining 1/16 to 100 1/16, yielding 5.320 per cent. The Federal Funds rate was at 5.31 per cent.

In a morning release, the producer price index was shown to have fallen 0.2 per cent in December. For the full year the index was down 1.2 per cent, compared with a 2.8 per cent rise in 1996.

The core PPI rose by 0.1 per cent in 1997, after a 0.6 per cent increase in 1996.

"Global deflation pressures are intensifying," wrote Merrill Lynch chief economist Bruce Steinberg in a morning report.

Mr Steinberg warned that although the PPI covers domestically made goods, import prices are falling more rapidly.

Issuers turn from tired dollar sector

INTERNATIONAL BONDS

By Samer Iskandar

Primary market activity remained brisk yesterday, with a saturated dollar sector forcing borrowers to turn to other currencies.

"The dollar is feeling rather tired in the 10-year area," said one banker in London. "Some of the recently-launched 10-year paper is going to have to cheapen up a bit. But the five-year area is looking healthier."

Although conditions in the swap market remained favourable for borrowers, syndicate managers said new deals were unlikely to be well received until the recent supply had been absorbed.

HYPOTHEKENBANK IN ESSEN launched a rare dollar-denominated jumbo Pfandbrief – only the second such transaction to date – with a five-year maturity. The structure was inaugurated last year by Rheinische Hypothekenbank.

Pfandbriefe are bonds collateralised by large pools of assets, such as mortgages or loans to the public sector.

The deal was "priced to be successful", said the lead managers, Commerzbank and Lehman Brothers.

"As a debut deal, the issuer had to leave a bit on the table for investors," said one banker involved in the launch. As a result, Lehman reported demand for twice the amount on offer, which led to a slight tightening in the spread after the launch.

Other deals in dollars consisted mainly of floating-rate notes and retail-targeted issues with short maturities.

SIEMENS, the German electronics group, launched a rare issue of discount bonds, aimed at retail investors. With a coupon set below current yield levels, the bonds were priced below their par value. This allows German investors, who are taxed on coupon payments but not on capital gains, to avoid taxation on part of the bonds' total return.

Sterling saw a second long-term issue in as many days. Long-term borrowing in sterling is looking increasingly attractive, particularly after yesterday's fall in the yield on the long gilt to its lowest in three decades.

In its debut issue, **NORTHUMBRIAN WATER**, a subsidiary of the French conglomerate Suez-Lyonnaise des Eaux, launched £200m of 25-year bonds.

Barclays Capital, the lead manager, said it had been encouraged by Wednesday's successful launch of a similar deal by Prudential, the UK's largest life insurer.

"We felt confident there was still enough demand for long paper in sterling," it said.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Hypothekenbank in Essen(a)	1bn	5.625#	99.553R	Jan 2003	0.25R	+36(5⅝%Dec02)	Commerzbank/Lehman
Den norske Bank‡	400	(b)	99.903R	Jan 2003	0.175R	-	ABN Amro/Barclays
CCDQ‡	300	(c)	99.966R	Jan 2003	0.175R	-	JP Morgan Securities
Suncorp-Metway‡	300	(d)	99.917R	Jan 2001	0.15R	-	Deutsche Morgan Grenfell
L-Bank	250	5.625	99.875R	Feb 2002	0.225R	+21(5¾%Nov00)	ING Barings
Siemens Capital Corp	200	4.50	95.936R	Feb 2001	0.1875R	+15(5¾%Nov00)	Commerzbank
D-MARKS							
Export-Import Bk of Japan	800	4.75	99.447R	Jan 2003	0.25R	+20(4¼%Aug02)	Deutsche Morgan Grenfell
STERLING							
Northumbrian Water Grp(e)	200	6.875	98.61R	Feb 2023	0.625R	+65(8%-2021)	Barclays Capital Group
FRENCH FRANCS							
Baden-Wuerttemberg L-Fin	3bn	5.875	99.530R	Feb 2010	0.35R	+20(f)	CDC Marchés/JP Morgan
International Endesa	2bn	5.375	99.497R	Feb 2008	0.375R	+25(f)	Paribas
Bremer Landesbank	1.5bn	5.25	99.923R	Feb 2006	0.30R	+24(f)	Banque Nationale de Paris
Halifax‡	1bn	(f,s)	99.883	Jan 2009	0.40	-	Crédit Agricole Indosuez
SWISS FRANCS							
City of Vienna	250	3.00(s)	102.65	Jan 2004	2.15	-	Bank von Ernst
ITALIAN LIRE							
European Investment Bank	750bn	5.50(s)	98.485R	Feb 2018	0.40R	-	IMI Bank Luxembourg
Eurofima‡	200bn	(g)	100.955	Feb 2011	undiscl	-	BNL/JP Morgan Secs
DePfa Bank‡	150bn	(h)	99.375R	Jan 2018	0.375R	-	Morgan Stanley DW
EBRD‡	150bn	(j)	100.80	Feb 2010	undiscl	-	Cariplo
Rabobank Nederland(k)‡	150bn	(k)	99.90R	Feb 2008	0.17R	-	Credito Italiano
AUSTRALIAN DOLLARS							
GECC	100	6.25	100.855	Feb 2001	1.375	-	TD Securities
CANADIAN DOLLARS							
Toronto-Dominion Bank	100	5.25	99.925R	Feb 2000	0.125R	+13(5½%Feb00)	TD Securities
NEW ZEALAND DOLLARS							
Commerzbank AG(m)	100	8.00	100.685	Feb 2000	1.125	-	TD Securities
LB Schleswig-Holstein	100	8.00	100.62	Feb 2000	1.25	-	Hambros Bank
DANISH KRONER							
Crédit Local de France	400	5.125	102.00	Feb 2003	1.875	-	BIL
SWEDISH KRONOR							
European Investment Bank	750	5.625	101.917	Feb 2003	1.75	-	Kredietbank Intl Group

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Oeffentliche Pfandbrief. b) 3-mth Libor +1/16%. c) 3-mth Libor +5bp. d) 3-mth Libor +20bp. e) Standard utility investor put. Spens call provision. f) Tec-10 -70bp. g) 11½% in yr 1, 7% in yrs 2-3, then 15% -2 x 12-mth Libor; max 6½%, min zero to yr 9 then 2½%. h) 12% in yr 1, 9% in yr 2, 8% in yr 3, 7¼% in yrs 4-5, then 15% -2 x 12-mth Libor. i) Over interpolated yield. j) 12% in yr 1, 6¼% in yrs 2-3, then prior yr coupon +10% -2 x 12-mth Libor; max 7½%. k) Callable on 18/2/00 at par. k1) 6-mth Libor +30bp to Feb 00, then 6% pa fixed. l) Long 1st coupon. m) NZ$100m launched Monday was increased to NZ$200m. s) Short 1st coupon.

India rating put under review

By Simon Davies

India was yesterday dragged into the regional financial crisis, when Moody's, the international credit rating agency, announced it was reviewing the country's sovereign ratings for a possible downgrade.

A downgrade from its current rating of Baa3 would put India's sovereign debt below investment grade status, triggering selling from institutions that can only hold investment grade bonds. The Indian stock market responded, falling 2.3 per cent.

Moody's expressed concerns that "the impetus for structural reform has diminished" and over the failure substantially to improve public finances.

Moody's main competitor, Standard & Poor's, also continued the regional woes, downgrading Thailand's long-term rating foreign currency from BBB to BBB, the last level before junk bond status.

S&P warned of "the deepening financial crisis that is stifling Thailand" and said a further $5bn to $10bn of external assistance could be required this year beyond the existing IMF programme. However, it praised "the government's commitment to the economic adjustment and reform process".

● Turkmenistan, the gas-rich central Asian republic, has been awarded a B credit rating by Fitch IBCA, the international rating agency, Kevin Done writes.

The rating is the lowest speculative grade given to any of the transition countries of east Europe and the former Soviet Union. The country received the equivalent rating of B2 from Moody's last month. Bulgaria, previously the lowest rated transition country at B3, was upgraded by Moody's last month to B2.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Jan 8	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.8768	5.15	-	-0.26	-0.09	-1.18
	10/07	10.000	131.1094	5.74	+0.03	-0.28	-0.59	-1.77
Austria	09/99	7.000	104.2800	4.29	-0.06	-0.08	-0.22	+0.50
	07/07	5.625	102.9400	5.22	-0.04	-0.20	-0.26	-0.74
Belgium	01/00	4.000	99.6300	4.19	-0.05	-0.18	-0.09	+0.63
	03/07	6.250	107.3200	5.23	-0.05	-0.21	-0.31	-0.88
Canada*	09/99	4.750	99.7200	4.92	-0.02	-0.13	+0.31	+0.61
	06/07	7.250	113.3000	5.40	-0.01	-0.20	-0.32	-1.32
Denmark	12/99	6.000	102.9500	4.35	-0.05	-0.16	-0.36	+0.34
	11/07	7.000	111.8100	5.42	-0.05	-0.24	-0.46	-1.18
Finland	01/99	11.000	106.8750	3.80	-0.13	-0.24	-0.39	-
	04/06	7.250	113.4560	5.20	-0.06	-0.23	-0.34	-1.13
France	01/00	4.000	99.7700	4.12	-0.06	-0.12	-0.22	+0.66
	10/04	6.750	110.7000	4.86	-0.05	-0.17	-0.29	-0.43
	10/07	5.500	102.6800	5.14	-0.05	-0.20	-0.26	-0.73
	10/26	6.000	104.5500	5.67	-0.06	-0.23	-0.26	-1.21
Germany	09/99	4.000	99.9900	4.00	-0.06	-0.10	-0.24	+0.60
	11/04	7.500	114.6400	4.92	-0.07	-0.23	-0.28	-0.87
	07/07	6.000	106.3000	5.14	-0.05	-0.21	-0.28	-0.78
	07/27	6.500	111.4100	5.69	-0.05	-0.26	-0.27	-1.10
Ireland	04/99	6.250	101.7000	4.77	-0.06	-0.17	-0.46	-1.50
	08/06	8.000	117.6700	5.37	-0.04	-0.16	-0.44	-1.49
Italy	06/00	6.000	102.7700	4.73	-0.04	-0.06	-0.35	-1.70
	08/02	6.250	104.8900	4.98	-0.06	-0.12	-0.39	-1.83
	07/07	6.750	109.9000	5.40	-0.04	-0.17	-0.37	-2.24
	11/26	7.250	119.1000	5.87	-0.05	-0.17	-0.39	-2.30
Japan	03/00	6.400	112.4600	0.63	-	-0.03	+0.14	-0.13
	12/02	4.800	116.9300	1.25	+0.02	-0.04	-0.03	-0.69
	09/05	3.000	109.5800	1.67	+0.03	-0.05	-0.07	-0.84
	09/17	3.000	107.7300	2.50	+0.01	-0.06	-0.03	-0.92
Netherlands	11/99	7.500	105.8800	4.10	-0.07	-0.15	-0.25	+0.70
	02/07	5.750	104.6300	5.10	-0.06	-0.21	-0.28	-0.70
New Zealand	02/00	6.500	97.8618	7.64	-0.02	+0.03	+0.37	+0.58
	11/06	8.000	107.4488	6.84	+0.05	-0.18	-0.12	-0.65
Norway	01/99	9.000	104.7200	4.29	-0.01	-0.13	-0.06	+0.09
	01/07	6.750	109.7000	5.36	-0.03	-0.13	-0.20	-0.80
Portugal	03/99	8.500	104.4637	4.56	-0.02	-0.12	-0.27	-1.30
	02/07	6.625	108.1802	5.46	-0.03	-0.16	-0.31	-1.46
Spain	07/99	7.400	104.2506	4.46	-	-0.02	-0.19	-1.16
	03/07	7.350	113.9874	5.38	-0.04	-0.21	-0.31	-1.57
Sweden	01/99	11.000	105.8941	4.94	-0.04	-0.14	-0.26	+0.43
	08/07	8.000	116.9050	5.66	-0.06	-0.32	-0.50	-1.21
Switzerland	03/00	5.000	106.8500	1.74	-0.07	-0.14	-0.04	-0.32
	06/07	4.500	110.9500	3.14	-0.04	-0.14	-0.36	-0.75
UK	08/99	6.000	99.0547	6.63	-0.02	-0.16	-0.31	-0.07
	11/04	6.750	103.2656	6.16	-0.05	-0.26	-0.38	-1.35
	12/07	7.250	108.7969	6.06	-0.04	-0.23	-0.35	-1.65
	06/21	8.000	124.7500	6.02	-0.03	-0.22	-0.32	-1.65
US*	10/99	5.625	100.4060	5.38	-0.05	-0.31	-0.45	-0.81
	11/04	7.875	113.4450	5.46	-0.04	-0.28	-0.46	-0.85
	08/07	6.125	104.6720	5.49	-0.04	-0.25	-0.46	-1.10
	08/27	6.375	107.8440	5.82	-0.04	-0.16	-0.36	-1.03
ECU	01/00	4.000	99.1600	4.44	-0.06	-0.16	-0.19	+0.24
	04/07	5.500	101.7400	5.25	-0.05	-0.21	-0.29	-1.16

London closing. *New York mid day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Jan 8	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.74	+0.60	+0.25
Austria	5.22	+0.08	-0.27
Belgium	5.22	+0.08	-0.27
Canada	5.40	+0.26	-0.09
Denmark	5.42	+0.28	-0.07
Finland	5.20	+0.06	-0.29
France	5.14	-	-0.35
Germany	5.14	-	-0.35
Ireland	5.37	+0.23	-0.12
Italy	5.40	+0.26	-0.09
Japan	1.66	-3.48	-3.83
Netherlands	5.10	-0.04	-0.39
New Zealand	6.84	+1.70	+1.35
Norway	5.36	+0.22	-0.13
Portugal	5.46	+0.32	-0.03
Spain	5.38	+0.24	-0.11
Sweden	5.66	+0.52	+0.17
Switzerland	3.14	-2.00	-2.35
UK	6.06	+0.92	+0.57
US	5.49	+0.35	-
ECU	5.25	+0.11	-0.24

Source: Interactive Data/FT Information
London closing. * New York closing.
Annualised yield basis.

EMERGING MARKET BONDS

Jan 8	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	95.0263	8.45	-0.03	-0.50	+3.06
Poland	07/04	7.125	BBB-	102.7240	6.60	-0.35	-0.63	+1.19
Russia	06/07	10.000	BB-	89.5500	11.87	+0.12	+1.16	+6.40
LATIN AMERICA								
Argentina	09/27	9.750	BB	93.9000	10.41	-0.02	+0.07	+4.67
Brazil	05/27	10.125	BB-	90.7000	11.21	+0.10	+0.23	+5.47
Mexico	05/26	11.500	BB	118.2500	9.60	+0.02	-0.05	+3.87
ASIA								
China	07/06	7.750	BBB+	104.9338	6.95	-0.15	+0.07	+1.50
Philippines	10/16	8.750	BB+	88.4140	10.14	+0.09	+0.72	+4.54
Thailand	04/07	7.750	A-	81.7214	10.98	-0.01	+1.65	+5.51
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	102.8443	7.81	-0.04	+0.02	+2.46
South Africa	10/06	8.375	BB+	104.1333	7.70	-0.13	-0.47	+2.25
Turkey	09/07	10.000	B	102.0415	9.65	-0.10	-0.32	+4.16
BRADY BONDS								
Argentina	03/23	5.500	BB	74.1300	8.47	-0.04	-0.22	+2.78
Brazil	04/14	4.500	BB-	75.8800	10.36	+0.12	+3.55	+4.79
Mexico	12/19	6.250	BB	84.2500	7.75	-0.03	-0.22	+2.11
Venezuela	03/20	6.750	B+	86.3800	8.08	-0.01	-0.13	+2.43

London closing. Prices in US$. Source: Interactive Data/FT Information.
Standard & Poor's ratings.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	102.06	102.38	+0.24	102.46	101.98	190,870	125,021
Jun	101.40	101.66	+0.22	101.64	101.40	302	2,106
Sep	101.16	101.42	+0.22	101.16	101.16	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
97	4.94	4.94	4.34	-	0.02	0.16
98	3.94	3.97	3.49	0.01	0.05	0.29
99	2.95	3.04	2.71	0.02	0.12	0.50
100	2.00	2.16	2.03	0.06	0.22	0.81
101	1.13	1.37	1.46	0.19	0.43	1.22

Est. vol. total, Calls 29,531 Puts 15,520. Previous day's open int., Calls 58,078 Puts 102,497

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	105.43	105.88	+0.40	106.10	105.42	240072	235565
Jun	105.10	105.29	+0.40	105.29	105.10	713	1740

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
10550	0.66	0.97	0.88	1.21	0.28	0.59	1.09	1.42
10600	0.36	0.69	0.66	0.95	0.50	0.81	1.37	1.69
10650	0.20	0.47	0.46	0.76	0.82	1.09	1.69	1.99

Est. vol. total, Calls 30260 Puts 31602. Previous day's open int., Calls 166229 Puts 164326

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.50	105.00	+0.50	105.01	104.46	172,119	196,119

■ NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.47	104.76	+0.27	104.77	104.47	2,275	36,312
Jun	-	104.31	+0.27	-	-	-	-

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116.75	117.14	+0.37	117.28	116.69	64716	118802
Jun	116.12	116.51	+0.31	116.57	116.12	4559	4698

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
11700	0.86	1.18	0.72	1.67
11750	0.61	0.97	0.97	1.96
11800	0.42	0.79	1.28	2.28

Est. vol. total, Calls 3146 Puts 1935. Previous day's open int., Calls 45795 Puts 49391

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	106.78	107.19	+0.37	107.20	106.69	87,060	104,779

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	123-00	123-12	+0-12	123-22	122-24	79034	181888
Jun	107-00	107-15	+0-10	107-16	107-00	57	2069

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
123	0-57	1-25	0	0	0-33	1-01	15-34	15-34
124	0-29	0-57	0	0	1-05	1-33	16-34	16-34
125	0-12	0-37	0	0	1-52	2-13	17-34	17-34

Est. vol. total, Calls 7027 Puts 1474. Previous day's open int., Calls 71348 Puts 23171

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	101.34	101.62	+0.28	101.68	101.20	790	5,662

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	122-10	122-08	-	123-06	122-07	527,476	704,487
Jun	121-25	121-30	-	122-29	121-25	4,631	35,419
Sep	-	121-22	-	-	-	15	5,569

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	130.20			130.26	130.15	1200	na
Jun	129.68			129.68	129.68	12	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day

US CORPORATE BONDS

Jan 7	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	105.1604	5.91	+0.01	-0.44	+0.46
NY Tel	08/25	7.00	A+	100.5028	6.95	+0.04	-0.28	+1.16
CWE	05/00	6.00	BBB	110.6269	6.62	+0.04	-0.39	+0.99
FINANCIALS								
GECC	05/07	8.75	AAA	118.6538	6.10	+0.05	-0.41	+0.57
Banc One	08/02	7.25	A+	105.0786	5.95	+0.01	-0.47	+0.50
US West	01/07	7.30	BBB+	105.1641	6.53	+0.06	-0.46	+1.00
INDUSTRIALS								
WMX Tech	04/99	6.25	A-	100.0920	6.16	-	-0.38	+1.10
Wal Mart	05/02	6.75	AA	103.3657	5.85	+0.01	-0.47	+0.40
Dayton Hud	06/21	9.70	BBB+	132.2666	6.60	+0.07	-0.32	+1.11
AGENCIES								
FHLMC	04/07	7.14	N/A	109.0763	5.85	+0.05	-0.39	+0.32
SLMA	03/00	7.50	N/A	103.8495	5.56	-	-0.41	+0.18
FNMA	02/18	8.95	N/A	131.2981	6.20	+0.06	-0.32	+0.41
FFCB	06/06	8.95	N/A	120.4909	5.82	+0.04	-0.43	+0.29
HIGH YIELD								
Stone Cont	02/01	9.88	B	101.3750	0.00	-	-	-
AK Stl	12/01	9.13	BB-	103.5000	0.00	-	-	-
Pacalta	06/04	10.75	B-	99.0000	0.00	-	-	-

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.35
Prime rate	8½	Two month	-	Three year	5.38
Broker loan rate	7¼	Three month	5.16	Five year	5.36
Fed.funds	5⅝	Six month	5.23	10-year	5.45
Fed.funds at intervention	-	One year	5.25	30-year	5.75

INTERNATIONAL BONDS

Jan 8	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	104.0800	5.17	-0.05	-0.21	+0.11
Spain	01/07	5.750	AA	103.3300	5.27	-0.07	-0.26	+0.21
Philip Morris	08/04	6.375	A	100.3663	5.30	-0.06	-0.30	+0.66
Finland FRN	08/02	3.620	AA	100.7221	4.15	-0.03	-0.38	-0.81
EURO FFR								
Austria	01/04	5.500	AAA	103.0700	4.90	-0.05	-0.29	+0.15
Abbey Nat	02/04	6.000	AA	106.2000	4.99	-0.07	-0.32	+0.27
Cred Foncier	02/04	9.125	A	119.3700	5.32	-0.02	-0.27	+0.60
SCIF FRN	12/01	3.750	AA-	99.8805	4.34	-0.06	-0.32	+0.04
EURO LIRA								
EIB	02/07	7.000	AAA	111.4000	5.38	-0.07	-0.27	+0.06
Abbey Nat	02/03	6.800	AA	106.0000	5.14	-0.04	-0.31	+0.29
Walt Disney	06/00	8.625	A	107.7400	5.14	-0.06	-0.29	+0.47
EIB FRN	03/01	5.825	AAA	100.2267	4.85	-0.03	-0.33	-0.06
EURO £								
EIB	12/07	7.625	AAA	109.2139	6.34	-0.05	-0.34	+0.24
Dresdner Bk	12/07	7.750	AA-	108.3706	6.54	-0.05	-0.32	+0.74
British Gas	03/00	7.625	A+	101.0577	7.08	-0.09	-0.35	+0.45
Abbey Nat FRN	02/02	7.630	AA	100.0073	6.26	-0.04	-0.37	-0.12
EURO $								
EIB	04/07	7.250	AAA	109.7681	5.85	-	-0.47	+0.35
ABN Amro	05/07	7.125	AA-	105.6245	6.20	-0.01	-0.48	+0.75
Quebec	01/07	7.000	A+	105.1189	6.25	+0.06	-0.59	+0.78
Citicorp FRN	02/04	5.938	A+	99.5266	6.03	+0.01	-0.03	+0.62
EURO C$								
Bayer L-Bk	08/04	9.500	AAA	120.0104	5.75	-0.10	-0.22	+0.23
Toronto	05/04	8.500	AA+	114.7299	5.67	-0.08	-0.19	+0.15
Bell Canada	07/99	10.625	A+	107.0401	5.57	-0.08	+0.17	+0.99
Deutsche B FRN	09/02	5.875	AAA	101.2346	5.57	+0.14	+0.01	+0.13
EURO YEN								
World Bank	03/02	5.250	AAA	117.0000	1.08	+0.01	-0.03	+0.15
Spain	03/02	5.750	AA	118.9000	1.11	-0.01	-0.04	+0.18
Cred Foncier	09/02	4.750	A	113.6750	1.62	+0.01	+0.04	+0.66
Italy FRN	07/99	0.594	AA	100.3289	0.37	-	+0.07	-0.07

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Thu Jan 8	Day's change %	Wed Jan 7	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	120.19	0.09	120.31	2.01	0.61
2 5-15 years (21)	161.06	0.27	160.63	1.89	0.44
3 Over 15 years (4)	197.46	0.38	196.71	2.17	0.00
4 Irredeemables (4)	244.60	0.48	243.42	2.51	0.00
5 All stocks (48)	153.60	0.23	153.35	2.04	0.46
Index-linked					
6 Up to 5 years (2)	213.27	-0.01	213.28	1.67	0.00
7 Over 5 years (10)	217.79	-0.04	218.47	1.44	0.58
8 All stocks (12)	216.23	-0.04	216.85	1.45	0.53

UK Indices

	Low coupon yield Jan 8	Low coupon yield Jan 7	Low coupon yield Yr. ago	Medium coupon yield Jan 8	Medium coupon yield Jan 7	Medium coupon yield Yr. ago	High coupon yield Jan 8	High coupon yield Jan 7	High coupon yield Yr. ago
5 yrs	6.22	6.26	7.30	6.31	6.35	7.36	6.35	6.38	7.40
15 yrs	6.05	6.08	7.61	6.05	6.09	7.60	6.17	6.20	7.71
20 yrs	6.05	6.08	7.69	6.04	6.06	7.65	6.16	6.20	7.72
Irred.†	6.16	6.19	7.97						

	Inflation 5% Jan 8	Inflation 5% Jan 7	Inflation 5% Yr. ago	Inflation 10% Jan 8	Inflation 10% Jan 7	Inflation 10% Yr. ago
Up to 5 yrs	3.04	3.03	3.26	2.33	2.32	2.60
Over 5 yrs	3.02	3.01	3.60	2.82	2.82	3.43

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jan 8	Jan 7	Jan 6	Jan 5	Jan 2	Yr ago	High*	Low*
Govt. Secs. (UK)	103.34	103.07	103.00	102.68	101.52	93.31	103.34	93.31
Fixed Interest	137.94	137.51	137.25	136.74	135.65	115.32	137.94	115.32

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UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 4⅝pc 1998‡‡	3.99	6.94	116⅛	...	116⅜	113⅞
Exch 9¾pc 1998	9.75	7.10	100⅛	....	103¼	100⅛
Treas 7¼pc 1998‡‡	7.25	7.20	100	--	101⅛	100
Treas 15½pc '98‡‡	14.85	7.09	105⅞	-⅛	114⅛	105⅞
Exch 12pc 1998	11.53	7.01	104⅛	---	109⅛	104⅛
Treas 9½pc 1999‡‡	9.27	6.95	102½	+⅛	105⅝	102¼
Treas Flg Rate 1999‡‡	-	-	100¼	+⅛	100⅛	100⅛
Exch 12¼pc 1999	11.54	6.85	106⅛	+⅛	111⅛	106⅛
Treas 10½pc 1999	10.02	6.75	104⅞	....	108⅛	104½
Treas 6pc 1999‡‡	6.06	6.63	99⅛	+⅛	99⅛	96⅞
Conv 10¼pc 1999	9.65	6.66	106⅛	+⅛	109¼	105⅞
Treas 8½pc 2000 ✠	8.21	6.60	103⅛	+⅛	104⅛	102⅞
Conv 9pc 2000‡‡	8.59	6.59	[illegible]	+⅛	108½	103⅞
Treas 13pc 2000	11.35	6.66	114⅛xd	+⅛	119⅛	113⅝
Treas 14pc 1998-1	13.67	7.18	102⅞	-⅛	110¼	102⅞
Treas 8pc 2000‡‡	7.70	6.48	103⅞	+⅛	104⅞	102⅞
Treas Flg Rate 2001	-	-	100⅛	....	100⅞	100⅛
Treas 10pc 2001	9.13	6.55	109⅞	+⅛	112⅞	98⅞
Conv 9½pc 2001‡‡ ✠	8.71	6.58	109⅛xd	+⅛	109⅞	107⅞
Conv 9¾pc 2001 ✠	8.87	6.57	109⅞	-⅛	110⅞	108⅛
Treas 7pc 2001‡‡	6.86	6.39	102	+⅛	102	98⅞
Exch 12pc 1999-2 ✠	11.45	7.08	104⅞	---	109⅛	104⅞
Conv 10pc 2002 ✠	8.82	6.35	113¼	+⅛	113⅞	109⅞
Treas 7pc 2002‡‡	6.82	6.31	102⅞	+⅛	102⅞	98⅛
Five to Fifteen Years						
Conv 9½pc 2002 ✠	8.49	6.38	111⅞	+⅛	112⅛	108⅛
Treas 9¾pc 2002	8.60	6.37	113⅞	+⅛	122¼	109½
Exch 9pc 2002 ✠	8.12	6.38	110⅞	+⅛	111⅛	106⅛
Conv 9¾pc 2003‡‡ ✠	8.49	6.40	114⅞	+⅛	115⅛	110⅞
Treas 8pc 2003‡‡	7.41	6.25	107⅞	+⅛	107⅞	102⅛
Treas 13¾pc 2000-3 ✠	11.61	6.61	116⅛	+⅛	119⅞	115⅞
Treas 10pc 2003	8.51	6.28	117½	+⅛	117¾	111⅞
Treas 11½pc 2001-4	10.08	6.52	114⅛	--	116⅞	112⅞
Treas 10pc 2004 ✠	8.40	6.30	119⅛	+⅛	119¼	113
Funding 3½pc 1999-4	3.83	5.06	91⅛xd	+⅛	91⅛	82⅞
Conv 9½pc 2004	8.05	6.20	118	+¼	118⅛	108⅞
Treas 6¾pc 2004‡‡	6.54	6.16	103¼	+⅛	103¼	95
Conv 9½pc 2005	7.88	6.20	118¼	+¼	122⅞	110⅞
Exch 10½pc 2005 ✠	8.34	6.22	125⅞	+¼	125⅞	117⅛
Treas 12½pc 2003-5	9.61	6.29	130⅛	+⅛	130⅞	124⅞
Treas 8½pc 2005‡‡	7.41	6.10	114⅞	+¼	114⅞	104⅞
Conv 9¾pc 2006 ✠	7.83	6.12	124⅞	+⅛	124⅞	113⅞
Treas 7½pc 2006‡‡	6.85	6.10	109⅞	+⅛	109⅞	98⅞
Treas 7¾pc 2006‡‡	7.00	6.14	110⅞	+⅛	110⅞	99⅞
Treas 8pc 2002-6‡‡	7.52	6.39	106⅞	+⅛	106⅞	100⅞
Treas 11¾pc 2003-7	9.56	6.34	122⅞	+⅛	123⅞	115⅞
Treas 8½pc 2007‡‡	7.27	6.12	116⅞	+⅛	118⅞	105⅛
Treas 7¼pc 2007‡‡	6.66	6.05	108⅞	+⅛	108⅞	96⅝
Treas 13½pc 2004-8 ✠	9.93	6.38	136	+⅛	136⅞	131⅞
Treas 9pc 2008‡‡	7.30	6.01	123⅛	+⅛	123⅛	109⅛
Treas 8pc 2009	6.89	6.06	116⅛	+⅞	116⅛	101
Treas 6¼pc 2010‡‡	6.16	6.06	101½	+⅛	101½	86¼
Conv 9pc Ln 2011‡‡	7.11	6.09	126⅞xd	+⅛	126⅞	109¾
Treas 9pc 2012‡‡	7.05	6.10	127⅞xd	+⅞	127⅞	110⅛
Treas 5½pc 2008-12‡‡	5.76	5.96	95⅛	+⅛	95⅛	80⅞
Treas 7¾pc 2012-15‡‡	6.74	6.14	114⅞	+⅞	114⅞	98⅞
Over Fifteen Years						
Treas 8pc 2013‡‡	6.72	6.10	119⅛	-⅞	119⅛	107⅛
Treas 8pc 2015‡‡	6.60	6.04	121⅛	+⅛	121⅛	101⅛
Treas 8¾pc 2017‡‡	6.70	6.06	130⅞	+½	130⅞	103⅛
Exch 12pc 2013-17 ✠	7.56	6.15	158⅞	+⅛	158⅞	138⅝
Treas 8pc 2021‡‡	6.41	6.01	124⅞	+½	124⅞	101⅞
Undated						
Consols 4pc	6.39	-	62⅞	+⅛	62⅞	48⅛
War Loan 3½pc‡‡	6.11	-	57⅛	+⅛	57⅛	43⅞
Conv 3½pc '61 Aft	4.79	-	73¼	+⅛	76⅛	60⅞
Treas 3pc '66 Aft	6.56	-	45⅞	+⅛	45⅞	38⅞
Consols 2½pc	6.14	-	40⅞xd	+⅛	40⅞	31⅞
Treas. 2½pc	6.25	-	39⅞	+⅛	39⅞	30⅞

Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
Index-Linked (b)						
2½pc '99 ✠	2.63	3.09	188⅛	-⅛	188⅞	179⅛
2½pc '01 (78.3)	3.04	3.34	194⅞	-⅛	195⅞	184⅛
2½pc '03 (78.8)	3.03	3.23	192⅞	-⅛	193⅛	180⅞
4⅜pc '04‡‡ (135.6)	2.99	3.17	124⅛	-⅛	124⅞	117⅞
2pc '06 (69.5)	3.03	3.15	208¾	-⅛	207⅞	190
2½pc '09 (78.8)	3.00	3.11	187⅞	-⅛	189⅛	170⅞
2½pc '11 (74.6)	3.01	3.10	198⅞	-⅛	198⅛	176⅛
2½pc '13 (89.2)	3.01	3.09	163⅞	-⅛	164⅞	148⅞
2½pc '16 (81.6)	3.01	3.09	178⅞	-⅛	178⅛	153⅞
2½pc '20 (83.0)	3.03	3.09	171⅞	-⅛	173⅛	147⅛
2½pc '24‡‡ (97.7)	3.02	3.08	144⅛	-⅛	146¼	122⅛
4⅛pc '30‡‡ (135.1)	3.00	3.06	141⅞	-⅛	143⅛	119⅞

Prospective real redemption rate on projected inflation of (1) 5% and (2) 3%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for April 1997: 156.3 and for November 1997: 159.6.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Asian Dev 10¼pc 2009	8.00	6.62	128⅛	---	129⅝	116⅛
B'ham 11½pc 2012	8.07	6.90	142½	---	142½	126½
Leeds 13½pc 2006	9.47	-	142½	---	144½	132½
Liverpool 3½pc Irred	6.86	-	51	---	51	37½
LCC 3pc '20 Aft	6.67	-	45	---	45	35
Manchester 11½pc 2007	8.61	6.82	133½	---	133½	127½
Met. Wtr. 3pc 'B'	3.45	5.75	87	---	87	79
N'wide Anglia 3⅞pc 2021	-	3.69	187⅛xd	---	189⅛	142⅛
4¼pc IL 2024	-	3.73	158⅞	---	160⅝	137¼

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ✠ Indicative price.

CURRENCIES AND MONEY

Sterling falls on interest rate decision

MARKETS REPORT

By Richard Adams

The value of sterling fell against the dollar and the D-Mark on foreign exchange markets yesterday, prompting thoughts that the UK currency's bull run has come to an end.

The Bank of England's decision to leave its operational interest rates unchanged aided yesterday's sell-off in Europe. Sterling fell through several support levels against the D-Mark, and closed at DM2.9361, a fall of three pfennigs.

The dollar ran out of steam against the D-Mark, but managed to rise slightly against the yen to Y132.63. Fears over co-ordinated central bank intervention to defend the yen have receeded after Wednesday's inconclusive meeting between Japanese and US authorities.

The Indonesian rupiah – described yesterday by one analyst as "untouchable" – suffered another violent fall in Asian trading. Talk of a possible moratorium on Indonesia's foreign exchange-denominated debt and political instability there sent the currency to Rp10,700.

In Europe, the Irish punt continued its descent against the D-Mark and towards its central rate in the Exchange Rate Mechanism. The punt is now thought unlikely to be revalued within the system before the launch of the single currency. Yesterday it shed another pfennig, and closed at DM2.482.

■ Rumours that the Bundesbank was seen in the market making commercial sales of sterling helped the pound fall by around 1 per cent against the German currency yesterday.

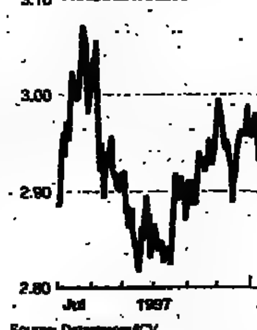
But stronger impetus came from expectations that UK interest rates have little further to go up this year. This was in spite of a survey showing very strong retail sales in December, coming on the heels of a survey showing growing activity in the service sector.

Opinion remains sharply divided – in the City and among UK authorities – over how high, and how fast, rates need to rise. But the Asian situation increases uncertainty – Nick Shamim, currency analyst at ANZ in London, said: "The market is now concerned with 'deflation' as its buzzword."

Three month sterling future contracts rose across the board. Contracts for March delivery settled up by two basis points, and September contracts by three basis points.

Sterling

Against the D-Mark (DM per £)



Source: Datastream/ICV

Short sterling apparently prices in a further rate rise of 0.25 basis points by March, with rates falling back towards 7 per cent after September.

■ The market seemed geared towards another attack on the Hong Kong dollar's peg to the US dollar. Yesterday, the Hang Seng fell sharply, while three month interbank lending rates jumped from 12.5 per cent on Wednesday to 14.5 per cent. That suggests prime lending rates could rise.

Elsewhere in Asia, the dollar also strengthened further against the Malaysian ringgit, the Singapore dollar, the Thai baht and the South Korean won – although the Philippine peso staged something of a recovery.

The dollar gained more than 6 per cent against the Malaysian ringgit, 4 per cent against the Singapore dollar, and over 3 per cent against the Thai baht offshore.

"The rates we're seeing for the likes of the rupiah and the ringgit are almost ridiculous. Virtually every possible outcome must now be priced into these currencies at this stage – anything from outright debt default to military coups," one analyst at a UK bank said.

■ Jacob Frenkel, the governor of the Bank of Israel, said the central bank had spent some $250m intervening in the currency market, but that this did not alter its foreign exchange policy.

"The Bank of Israel has indeed intervened in the foreign currency market in recent days. However, interventions such as this do not necessitate a new debate on the Bank of Israel's exchange rate policy," Mr Frenkel said.

The central bank has been buying dollars to stop the shekel from appreciating beyond its trading band. The band is set against a basket of foreign currencies.

It was the first time the Bank of Israel intervened since last June.

■ **Pound in New York**

Jan 8	Latest	Prev close
£ spot	1.6105	1.6265
1 mth	1.6080	1.6240
3 mth	1.6035	1.6195
1 yr	1.5837	1.6000

■ **OTHER CURRENCIES**

Jan 8	£	$
Czech Rp	57.7810 - 57.8750	35.7600 - 35.7900
Hungary	332.386 - 332.673	205.710 - 205.760
Iran	4850.40 - 4847.40	3000.00 - 3001.00
Kuwait	0.4941 - 0.4949	0.3058 - 0.3057
Poland	5.7135 - 5.7298	3.5360 - 3.5440
Russia	9.6932 - 9.7088	5.9990 - 6.0000
U.A.E.	5.9345 - 5.9387	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jan 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.6557	-0.2117	459 - 655	20.9137	20.6347	20.59	3.8	20.4625	3.7	19.9629	3.3	102.6
Belgium	(BFr)	60.5628	-0.6261	117 - 138	61.3050	60.5030	60.3603	4.0	59.9703	3.9	58.5184	3.4	102.0
Denmark	(DKr)	11.1780	-0.1179	729 - 831	11.3193	11.1641	11.1426	3.7	11.0775	3.6	10.8367	3.1	104.6
Finland	(FM)	8.8922	[illegible]	640 - 995	9.0010	8.8848	8.8612	[illegible]	8.804	4.0	8.5947	3.3	80.8
France	(FFr)	9.8291	-0.0972	244 - 337	9.9522	9.8156	9.797	3.9	9.7351	3.8	9.4954	3.4	105.5
Germany	(DM)	2.9351	-0.03	348 - 374	2.9739	2.9324	2.9264	4.0	2.9076	3.9	2.8366	3.4	103.1
Greece	(Dr)	464.450	-4.771	236 - 665	470.343	461.558	472.139	-19.8	485.644	-19.1	509.723	-9.7	66.1
Ireland	(I£)	1.1828	-0.0054	815 - 841	1.1909	1.1815	1.182	0.9	1.1766	1.4	1.1543	2.4	92.8
Italy	(L)	2866.63	-25.88	455 - 874	2920.27	2879.00	2863.77	1.2	2876.95	1.5	2822.8	2.2	75.7
Luxembourg	(LFr)	60.5628	-0.6261	117 - 138	61.3050	60.5030	60.3603	4.0	59.9703	3.9	58.5184	3.4	102.0
Netherlands	(Fl)	3.3087	-0.0341	072 - 102	3.3507	3.3047	3.2974	4.1	3.2758	4.0	3.1953	3.4	101.4
Norway	(NKr)	12.0793	-0.1202	715 - 870	12.2198	12.0705	12.0397	3.9	11.9642	3.8	11.7155	3.0	97.9
Portugal	(Es)	300.147	-2.98	973 - 321	303.826	299.973	299.56	2.3	298.226	2.6	291.958	2.7	91.6
Spain	(Pta)	248.789	-2.488	688 - 890	251.820	248.530	248.25	2.6	247.103	2.7	241.802	2.8	78.7
Sweden	(SKr)	12.9720	-0.1102	639 - 800	13.1172	12.9585	12.941	2.9	12.8837	2.7	12.6844	2.2	84.6
Switzerland	(SFr)	2.3768	-0.0245	752 - 783	2.4047	2.3742	2.3641	6.4	2.3401	6.2	2.2488	5.5	108.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	103.8
Ecu	-	1.4870	-0.0127	858 - 881	1.5023	1.4854	1.4831	3.2	1.4752	3.2	1.4445	2.9	-
SDR†	-	1.214852	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6180	-0.0084	155 - 165	1.6266	1.6127	-	-	-	-	-	-	-
Brazil	(R$)	1.8067	-0.006	060 - 074	1.8174	1.8032	-	-	-	-	-	-	-
Canada	(C$)	2.3150	-0.0134	138 - 161	2.3303	2.3119	2.3093	3.0	2.299	2.8	2.263	2.2	82.5
Mexico	(New Peso)	13.0557	-0.0358	478 - 637	13.0812	13.0256	13.1932	-12.6	13.4507	-12.1	14.5482	-11.4	-
USA	($)	1.6163	-0.0084	158 - 168	1.6270	1.6130	1.6139	1.8	1.6089	1.8	1.5895	1.7	110.4
Pacific/Middle East/Africa													
Australia	(A$)	2.5388	-0.0006	370 - 405	2.5591	2.5315	2.5339	2.3	2.5228	2.5	2.479	2.4	84.2
Hong Kong	(HK$)	12.5163	-0.0492	138 - 229	12.5979	12.4927	12.6264	-10.6	12.8192	-9.6	13.4872	-7.7	-
India	(Rs)	64.0783	-0.2335	342 - 223	64.4510	64.0342	-	-	-	-	-	-	-
Israel	(Shk)	5.7541	-0.03	440 - 641	5.7641	5.7440	-	-	-	-	-	-	-
Japan	(Y)	214.370	-0.198	223 - 517	216.540	213.530	213.12	7.0	210.655	6.9	200.855	6.5	117.4
Malaysia	(M$)	7.5724	+0.2614	619 - 828	7.8649	7.2586	7.6416	-11.0	7.6665	-6.0	7.8318	-4.7	-
New Zealand	(NZ$)	2.8464	-0.0009	437 - 490	2.8650	2.8395	2.8509	-1.9	2.8571	-1.5	2.8779	-1.1	101.4
Philippines	(Peso)	72.6124	-1.068	263 - 985	76.0045	72.2263	73.6673	-15.8	75.3693	-15.4	83.5687	-15.1	-
Saudi Arabia	(SR)	6.0656	-0.0262	626 - 667	6.1022	6.0512	6.058	1.5	6.0442	1.4	5.9876	1.3	-
Singapore	(S$)	2.8795	+0.0634	761 - 828	2.9427	2.8178	2.9236	-18.4	2.9508	-9.9	2.9908	-3.9	-
South Africa	(R)	7.9902	-0.0161	853 - 951	8.0417	7.9702	8.0462	-8.7	8.146	-7.8	8.6215	-6.6	-
South Korea	(Won)	2889.14	+47.83	420 - 487	2933.13	2842.53	-	-	-	-	-	-	-
Taiwan	(T$)	55.5393	-0.3909	623 - 163	56.8193	54.9182	55.4727	1.4	55.3381	1.4	54.7981	1.3	-
Thailand	(Bt)	86.4317	+0.3252	837 - 796	88.9300	82.6010	86.6896	-6.4	87.6945	-6.8	90.0866	-4.2	-

† Rates for Jan 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.7796	-0.0648	775 - 817	12.8940	12.7620	12.7584	2.0	12.7181	1.9	12.5718	1.6	102.4
Belgium	(BFr)	37.4700	-0.194	500 - 900	37.7900	37.4400	37.4015	2.2	37.2736	2.1	36.815	1.7	101.9
Denmark	(DKr)	6.9158	-0.037	148 - 168	6.9791	6.9080	6.905	1.9	6.886	1.8	[illegible]	1.4	103.7
Finland	(FM)	5.5018	-0.026	987 - 044	5.5478	5.4954	5.4903	[illegible]	5.4719	2.2	5.4071	1.7	[illegible]
France	(FFr)	6.0812	-0.0286	802 - 822	6.1347	6.0737	6.0705	2.1	6.0505	2.0	5.9737	1.8	104.8
Germany	(DM)	1.8165	-0.0091	163 - 168	1.8328	1.8140	1.8133	2.2	1.8073	2.1	1.7846	1.8	102.1
Greece	(Dr)	287.360	-1.46	310 - 410	290.140	286.140	292.535	-21.7	302.465	-21.0	320.675	-11.6	64.5
Ireland	(I£)	1.3665	-0.0009	654 - 676	1.3690	1.3613	1.3654	1.0	1.3651	0.4	1.377	-0.8	-
Italy	(L)	1785.95	-6.75	520 - 670	1800.00	1779.80	1786.89	-0.6	1787.5	-0.3	1775.85	0.6	75.4
Luxembourg	(LFr)	37.4700	-0.194	500 - 900	37.7900	37.4400	37.4015	2.2	37.2735	2.1	36.815	1.7	101.9
Netherlands	(Fl)	2.0471	-0.0105	468 - 474	2.0654	2.0444	2.0433	2.3	2.036	2.2	2.0102	1.8	101.1
Norway	(NKr)	7.4734	-0.0356	709 - 759	7.5320	7.4657	7.4602	2.1	7.4361	2.0	7.3704	1.4	87.1
Portugal	(Es)	185.700	-0.86	650 - 750	187.280	185.580	185.618	0.5	185.357	0.7	183.675	1.1	92.1
Spain	(Pta)	153.925	-0.74	810 - 040	155.250	153.670	153.826	0.8	153.583	0.9	152.123	1.2	76.8
Sweden	(SKr)	8.0257	-0.0285	202 - 282	8.0931	8.0163	8.0186	1.0	8.0076	0.9	7.98	0.6	84.2
Switzerland	(SFr)	1.4706	-0.0075	700 - 710	1.4810	1.4690	1.4648	4.6	1.4545	4.4	1.4134	3.9	107.8
UK	(£)	1.6163	-0.0084	158 - 168	1.6270	1.6130	1.6139	1.8	1.6089	1.8	1.5895	1.7	104.1
Ecu	-	1.0870	+0.0036	[illegible] - 875	1.0882	1.0795	1.0882	-1.3	1.0906	-1.3	1.1005	-1.2	-
SDR†	-	0.74909	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1178	+0.0008	177 - 179	1.1179	1.1175	-	-	-	-	-	-	-
Canada	(C$)	1.4323	-0.0009	320 - 325	1.4350	1.4297	1.4309	1.2	1.4289	0.9	1.4237	0.6	83.0
Mexico	(New Peso)	8.0775	+0.0195	750 - 800	8.0800	8.0720	8.175	-14.5	8.36	-14.0	9.1525	-13.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	111.0
Pacific/Middle East/Africa													
Australia	(A$)	1.5707	+0.0077	701 - 713	1.5713	1.5701	1.5699	0.6	1.5673	0.9	1.5566	0.9	85.1
Hong Kong	(HK$)	7.7450	+0.0095	445 - 455	7.7470	7.7390	7.825	-12.4	7.9675	-11.5	8.485	-9.6	-
India	(Rs)	39.6450	+0.06	300 - 600	39.7000	39.6300	-	-	-	-	-	-	-
Israel	(Shk)	3.5600	-0.0002	549 - 651	3.5651	3.5549	-	-	-	-	-	-	-
Japan	(Y)	132.630	+0.56	580 - 680	133.460	131.300	132.055	5.2	130.925	5.1	126.045	5.0	119.4
Malaysia	(M$)	4.6850	+0.185	800 - 900	4.8555	4.4800	4.735	-12.6	4.785	-8.8	4.99	-6.5	-
New Zealand	(NZ$)	1.7610	+0.0085	599 - 621	1.7621	1.7599	1.7641	-2.1	1.7695	-1.9	1.7993	-1.8	-
Philippines	(Peso)	44.8250	-0.425	000 - 500	46.5000	44.5000	45.485	-17.6	46.883	-17.3	52.574	-17.0	-
Saudi Arabia	(SR)	3.7528	+0.002	520 - 535	3.7535	3.7506	3.7538	-0.3	3.7567	-0.4	3.7671	-0.4	-
Singapore	(S$)	1.7815	+0.042	800 - 830	1.8150	1.7340	1.8115	-20.2	1.834	-11.8	1.8815	-5.6	-
South Africa	(R)	4.9435	+0.0155	420 - 450	4.9480	4.9250	4.987	-10.6	5.063	-9.7	5.361	-8.4	-
South Korea	(Won)	1787.50	+38.5	500 - 000	1805.00	1772.00	-	-	-	-	-	-	-
Taiwan	(T$)	34.3820	-0.064	250 - 990	34.3990	33.7990	34.373	-0.4	34.3945	-0.4	34.4746	-0.3	-
Thailand	(Bt)	53.4750	+0.475	000 - 500	54.7500	51.0000	53.84	-8.2	54.505	-7.7	56.675	-6.0	-

† SDR rate per $ for Jan 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 7: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

MONEY RATES

January 8	Over night	One month	Three mths	Six mths	One year	Lomb. inter	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	6	[illegible]	5	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	5.50	6.23
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	4	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.40	5.33	5.40	5.47	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds)

EURO CURRENCY INTEREST RATES

Jan 8	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	4 - [illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 5
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	6 - [illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	10½ - 10	9 - 8¾	9 - 8¾	8¾ - 8½	8½ - 8¼	8 - 7½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.24	96.28	+0.04	96.29	96.22	18,499	75,136
Jun	96.08	96.14	+0.06	96.15	96.07	9,634	42,906
Sep	95.96	96.04	+0.08	96.05	95.96	7,993	30,007

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.24	96.29	+0.04	96.33	96.24	65982	369038
Jun	96.10	96.15	+0.05	96.21	96.09	67765	334139
Sep	95.99	96.04	+0.06	96.09	95.97	39584	240504
Dec	95.78	95.86	+0.08	95.91	95.77	48858	204083

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan	96.50	96.50	+0.03	96.50	96.50	500	633
Feb		96.44	+0.04			0	133
Mar	96.39	96.38	+0.05	96.39	96.39	50	100
Apr		96.36	+0.06			0	50

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.61	94.61	-	94.63	94.59	18337	151527
Jun	95.32	95.35	+0.03	95.38	95.31	16700	133724
Sep	95.61	95.67	+0.05	95.68	95.61	6293	94193
Dec	95.62	95.68	+0.06	95.70	95.61	18269	70679

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.38	98.44	+0.08	98.50	98.38	22077	75502
Jun	98.23	98.29	+0.05	98.33	98.23	7843	33592
Sep	98.13	98.17	+0.09	98.18	98.12	3147	17392
Dec	97.98	97.98	+0.07	98.02	97.97	861	8264

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.09	99.09	-	99.09	99.09	250	na
Jun		99.21	-0.01			0	na
Sep		99.21	-0.01			0	na

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.58	95.61	+0.03	95.62	95.57	1196	9541
Jun	95.58	95.62	+0.03	95.63	95.58	842	8394
Sep	95.59	95.65	+0.05	95.65	95.59	806	8361
Dec	95.72	95.78	+0.06	95.74	95.71	102	4090

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9450	0.20	0.87	1.20	0.09	0.02	0.03
9475	0.08	0.65	0.96	0.22	0.05	0.04
9500	0.03	0.44	0.74	0.42	0.09	0.07

Est. vol. total, Calls 300 Puts 401. Previous day's open int., Calls 158506 Puts 57804

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.46	16.23	4.848	1.955	4786	5.463	19.95	495.6	410.8	21.42	3.924	1.651	3.823	2.669	354.0	2.465
Denmark	(DKr)	54.18	10	8.793	2.627	1.058	2592	2.960	10.81	268.5	222.6	11.60	2.126	0.895	2.071	1.446	191.8	1.330
France	(FFr)	61.62	11.37	10	2.987	1.203	2937	3.366	12.29	305.4	253.1	13.20	2.418	1.017	2.355	1.644	218.1	1.513
Germany	(DM)	20.63	3.807	3.348	1	0.403	983.1	1.127	4.114	102.2	84.73	4.418	0.809	0.341	0.788	0.550	73.01	0.506
Ireland	(I£)	51.20	9.450	8.310	2.482	1	2441	2.797	10.21	253.8	210.3	10.97	2.009	0.845	1.957	1.367	181.2	1.257
Italy	(L)	2.098	0.387	0.341	0.102	0.041	100	0.115	0.418	10.40	8.619	0.449	0.082	0.035	0.080	0.056	7.426	0.052
Netherlands	(Fl)	18.30	3.378	2.971	0.887	0.357	872.4	1	3.651	90.71	75.19	3.921	0.718	0.302	0.700	0.489	64.79	0.449
Norway	(NKr)	50.14	9.254	8.137	2.431	0.979	2390	2.739	10	248.5	206.0	10.74	1.968	0.828	1.917	1.338	177.5	1.231
Portugal	(Es)	20.18	3.724	3.275	0.978	0.394	961.7	1.102	4.024	100	82.89	4.322	0.792	0.333	0.771	0.539	71.42	0.495
Spain	(Pta)	24.34	4.493	3.951	1.180	0.475	1160	1.330	4.855	120.6	100	5.214	0.955	0.402	0.931	0.650	86.17	0.598
Sweden	(SKr)	46.68	8.617	7.577	2.263	0.912	2225	2.551	9.312	231.4	191.8	10	1.832	0.771	1.785	1.246	165.3	1.146
Switzerland	(SFr)	25.48	4.703	4.135	1.235	0.498	1215	1.392	5.082	126.3	104.7	5.458	1	0.421	0.974	0.680	90.19	0.626
UK	(£)	60.56	11.18	9.829	2.936	1.183	2887	3.309	12.08	300.1	248.8	12.97	2.377	1	2.316	1.616	214.4	1.487
Canada	(C$)	26.16	4.828	4.246	1.268	0.511	1247	1.429	5.218	129.7	107.5	5.603	1.027	0.432	1	0.698	92.60	0.642
USA	($)	37.47	6.916	6.081	1.817	0.732	1786	2.047	7.473	185.7	153.9	8.026	1.471	0.619	1.432	1	132.6	0.920
Japan	(Y)	28.25	5.214	4.585	1.370	0.552	1347	1.543	5.635	140.0	116.1	6.051	1.109	0.466	1.080	0.754	100	0.694
Ecu	-	40.73	7.517	6.610	1.975	0.795	1941	2.225	8.124	201.9	167.3	8.724	1.598	0.673	1.557	1.087	144.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5509	0.5507	-0.0007	0.5512	0.5475	21,291	106,829
Jun	0.5528	0.5528	-0.0013	0.5537	0.5526	12	3,269
Sep	-	0.5568	-	-	0.5563	11	1,833

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7696	0.7578	-0.0135	0.7696	0.7568	42,195	98,781
Jun	0.7660	0.7675	-0.0139	0.7708	0.7660	79	2,167
Sep	-	0.7815	-	-	-	21	316

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6828	0.6820	-0.0009	0.6833	0.6800	9,095	57,155
Jun	0.6892	0.6897	-0.0007	0.6900	0.6892	57	893
Sep	-	0.6970	-	-	-	2	1,102

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6212	1.6100	-0.0124	1.6222	1.6078	8,895	32,210
Jun	1.6080	1.6030	-0.0124	1.6090	1.6010	30	1,309
Sep	-	1.5950	-0.0134	-	1.5940	7	4

UK INTEREST RATES

LONDON MONEY RATES

Jan 8	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible] - 7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Jan 2, 7.0273pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 31, 1997. Agreed rate for period Jan 26, 1998 to Feb 24, 1998, Scheme III 8.85pc. Reference rate for period Nov 29, 1997 to Dec 31, 1997, Schemes IV & V 7.709pc. Finance House Base Rate 8pc from Jan 1, 1998

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.45	92.47	+0.02	92.51	92.43	24592	146449
Jun	92.59	92.62	+0.03	92.66	92.57	23773	117947
Sep	92.78	92.82	+0.03	92.87	92.78	19330	98654
Dec	92.97	93.02	+0.03	93.05	92.96	19690	85405
Mar	93.17	93.22	+0.03	93.24	93.17	6218	68193

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9225	0.26	0.44	0.56	0.04	0.07	0.09
9250	0.09	0.26	0.46	0.12	0.14	0.14
9275	0.02	0.13	0.29	0.30	0.26	0.22

Est. vol. total, Calls 6465 Puts 4953. Previous day's open int., Calls 173521 Puts 149960

EMS EUROPEAN CURRENCY UNIT RATES

Jan 8	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.794283	+0.002451	-0.55	3.16	4
Italy	1906.48	1940.66	+0.02	1.79	0.78	-13
Finland	5.85424	5.98104	+0.00125	2.17	0.42	-14
Spain	163.826	167.393	-0.003	2.18	0.40	-15
Portugal	197.398	201.997	-0.058	2.33	0.25	-18
France	6.45863	6.61263	+0.00028	2.38	0.20	-20
Denmark	7.34555	7.52134	-0.00001	2.39	0.19	-16
Austria	13.5485	13.8957	-0.0033	2.56	0.03	-19
Germany	1.92575	1.97529	-0.00026	2.57	0.02	-25
Belgium	39.7191	40.7447	-0.0035	2.58	0.01	-19
Netherlands	2.16979	2.22600	-0.00029	2.59	0.00	-19
NON ERM MEMBERS						
Greece	295.269	312.150	-0.446	5.72	-2.86	-
UK	0.793103	0.666904	+0.000203	-15.91	22.00	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.630	0.91	1.86	2.45	1.22	2.39	3.14
1.640	0.54	1.45	2.04	1.85	2.93	3.72
1.650	0.29	1.11	1.67	2.55	3.59	4.35

Previous day's vol., Calls 519 Puts 230. Prev. day's open int., Calls 28,070 Puts 22,478

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
0.545	0.69	1.09	1.38	0.20	0.54	0.75
0.550	0.39	0.80	1.10	0.40	0.76	0.98
0.555	0.20	0.58	0.87	0.70	1.04	1.25

Previous day's vol., Calls 114 Puts 1,480. Prev. day's open int., Calls 8,506 Puts 15,708

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.35	94.38	+0.04	94.40	94.34	116,303	518,194
Jun	94.38	94.42	+0.05	94.46	94.37	108,426	427,672
Sep	94.38	94.44	+0.06	94.47	94.38	105,654	292,684

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.37	95.14	+0.04	95.37	95.13	549	8,112
Jun	95.16	95.16	+0.06	95.16	95.15	14	1,700
Sep	-	95.17	+0.06	95.17	-	10	40

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9625	0.06	0.09	0.10	0.10	0.02	0.05	0.06	0.20
9650	0.01	0.02	0.02	0.03	0.22	0.23	0.23	0.38
9675	0	0.01	0	0.01	0.46	0.47	0.46	0.61
9700	0	0	0	0	0.71	0.71	0.71	0.85

Est. vol. total, Calls 18542 Puts 10093. Previous day's open int., Calls 269249 Puts 311573

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9850	0.11	0.12	0.11	0.17	0.33	0.44
9875	0.04	0.05	0.04	0.35	0.51	0.62

Est. vol. total, Calls 0 Puts 750. Previous day's open int., Calls 100 Puts 896

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25	* In administration	
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

COMMODITIES AND AGRICULTURE

Silver falls sharply on big US fund sales

By Kenneth Gooding, Robert Corzine and Gary Mead

Silver dropped sharply yesterday as at least one US fund made big sales in the first hour of New York trading. Dealers said this was in reaction to the producer price index report which showed there was less inflationary pressure than expected building up in the US.

In London, silver closed down 31 cents, or 5 per cent, at $5.73 a troy ounce.

Silver has been very volatile this year. Traders suggest a syndicate hoped to drive the price up to $7 or $8 an ounce. One dealer said yesterday's activity was "fairly frantic."

The drop in silver and reaction to the latest market estimates from the Gold Fields Mineral Services consultancy (see this page) helped push gold below $280 a troy ounce – a level that had previously held firm as gold fell to 18½-year lows. It closed in London at $279.75.

On the London Metal Exchange prices recovered from recent lows. Three-month zinc prices rose 2.7 per cent to $1,121 a tonne while lead was up 3.2 per cent to $581 a tonne.

"Lead prices are being driven higher by technical tightness but, with the US winter battery season proving to be disappointing, and with stock levels adequate, there appears to be little fundamental reason for lead prices to rally further," said Jim Lennon, analyst at Macquarie Equities.

Oil inched higher but the bearish sentiment that has driven futures prices to 30-month lows continued to dominate crude markets.

Brent Blend for February delivery was $15.86 a barrel in late trading on London's International Petroleum Exchange, 25 cents up on Wednesday's close. But the rise was seen as mainly technical, with market fundamentals still bearish.

Fear that relatively low prices may persist for some months was highlighted when Iran, the world's third largest exporter, cut the price forecast it uses for budgetary purposes from $17.50 a barrel to $16.

Coffee futures jumped on the London International Financial Futures Exchange, the benchmark March contract closing up $50 at $1,760 a tonne, having hit a day's high of $1,770.

Volume was better, at a total 8,027 lots, partially sparked by increased speculation over the economic problems of Indonesia, one of the world's biggest producers of robusta coffee.

On New York's Coffee, Sugar and Cocoa Exchange coffee's mini-rally continued, with the March contract early reaching 168 cents a pound, though weakening later to 164 cents, 1.90 cents up on the previous close.

Directors of Nymex approve coal futures contract specifications

Directors of the New York Mercantile Exchange, the futures market based in Manhattan, have approved the specifications for a new coal futures contract, writes Nikki Tait in Chicago.

If the new contract is also endorsed by the US Commodity Futures Trading Commission, this will represent the first time coal has been traded on any futures exchange worldwide.

Nymex, which already trades other energy contracts and has developed several electricity contracts recently, has talked about introducing a coal contract for several years.

However, there has been debate over the precise nature of the contract, and it has also been dependent on the development of both the underlying cash market and the growth in electricity futures.

The new contract unit will be for 37,200m British thermal units of coal, with delivery set for a facility on the Ohio or Big Sandy rivers.

Gold hit by central banks' selling

By Kenneth Gooding, Mining Correspondent

More than 1,000 tonnes of gold poured out of existing stocks last year and was mainly responsible for the fall in the gold price to an 18-year low, according to the Gold Fields Mineral Services consultancy. This mobilisation of stocks was double the 1996 total and the highest since the market was liberalised in 1968.

The gold came from producers hedging, short selling by speculators in North America and Europe, and sales by central banks.

Net central bank sales jumped by 64 per cent from the 1996 level to 393 tonnes. "It was arguably the sources of the two major [central bank] sales that were disclosed, by Australia and Argentina, and the accompanying negative statements about gold which did so much to sentiment and price," said Stewart Murray, GFMS chief executive.

GFMS, an offshoot of Gold Fields of South Africa, estimates that gold's use in jewellery, electronics, coins and other fabricated products increased by 14 per cent to a record 3,750 tonnes, well above the supply of newly-mined gold, which was up 2.3 per cent to 2,402 tonnes, also a record.

Mr Murray said the actions of the central banks and market perceptions about their attitudes to gold would continue to play the key role in determining prices. "If [central bank] stocks stop being regarded as a huge and threatening overhang, other participants, especially producer hedgers and investment funds, might start taking a more positive view on gold."

Update Two to Gold 1997, from GFMS, Greencoat House, Francis Street, London SW1P 1DH.

Salmon farmers take on the sea louse

By James Buxton, Scottish Correspondent

Ashley Ashwood

Sea lice cost the Scottish salmon industry £12m to £15m a year, against sales of £250m

Scottish salmon farmers have launched an initiative to reduce the damage caused by sea lice, which infest salmon in the floating cages where they are reared and reduce output.

The farmers are being urged to implement a sea louse treatment described as a breakthrough by the Scottish Salmon Growers Association. The association wants the method applied in a co-ordinated way across the industry, which covers the Highlands and Islands from Argyll to Shetland, and employs 5,500 people.

The initiative is part of a new environmental strategy that the association believes will enable the industry to expand in a sustainable way, and secure a better public image for fish farming.

Sea lice are estimated to cost the Scottish salmon industry £12m to £15m a year, compared with annual turnover of £250m ($400m). Infestation can kill salmon and infested farms have to apply chemical treatments several times a year, which is expensive and interrupts the growth of the fish.

However research for the association by Marine Harvest McConnell, the biggest company in the Scottish industry, shows that if all the salmon cages in an area are treated for sea lice at roughly the same time, the danger of reinfestation is sharply reduced.

The company found that by treating the salmon in March before female sea lice have started breeding produced an 80 per cent drop in fish mortality.

The association is now urging all salmon farms to take this approach and has established 20 areas where salmon management groups are to be set up to monitor the sea louse problem and co-ordinate treatment.

"If this strategy is applied nationally, the effect on the sea louse population will be devastating," said Lord Lindsay, the former Scottish Office environment minister who is vice-chairman of the association. "It should produce considerable economic, environmental and welfare benefits both for farmed and wild fish."

Anglers believe that sea lice in farmed salmon spread to wild salmon and sea trout. Environmentalists claim that the chemicals used to treat sea lice damage the environment, although they have official approval.

The association plans to unveil other elements of its environmental strategy in the next few months to regain the initiative against the industry's critics.

Scotland produced 90,000 tonnes of farmed salmon last year, but this was dwarfed by Norway, which is thought to have produced about 310,000 tonnes in 1997.

Last year the European Union imposed restrictions on Norway's salmon exports to the EU in settlement of a complaint from Scotland and Ireland that Norway had been dumping salmon and giving illegal subsidies to its industry.

A minimum import price was imposed and growth in Norwegian salmon exports to the EU capped at 10 per cent a year.

However, Scottish fish farmers claim that the effect of the minimum import price has been negated by the impact of the strong pound on UK salmon exports.

Anglo surprised at $3bn lawsuit

By Kenneth Gooding

Anglo American Corporation, South Africa's biggest company, yesterday expressed surprise and denied any wrong-doing after it learned it was being sued, along with associate companies De Beers and Minorco, in Texas for damages of more than $3bn.

American Mineral Fields, a US mining company, alleges in a petition lodged in a Dallas court that, among other things, Anglo "had undertaken an orchestrated and focused effort to interfere" with an agreement for AMF to buy the Kolwezi waste dumps project in the Republic of the Congo, formerly Zaire.

Gecamines, Congo's state-owned mining group, said last week it had cancelled a tender for this project, even though AMF had agreed last April to buy it for $1bn.

In its petition, AMF alleges that Anglo "advised the government that, if it would get rid of AMF, Anglo would pay the government tens of millions of dollars in up-front cash to be awarded the project".

However, Bobby Danchin, chairman of Anglo's new mining business division, said yesterday his group was *no longer interested* in the waste dumps project but wanted to bid for the bigger Kolwezi West project nearby.

The litigation could be embarrassing for Anglo because the AMF petition suggests the Anglo companies sought to "monopolise the world's gold and gem diamond supplies".

It alleges that Anglo, De Beers and Minorco "were engaged in an elaborate scheme to monopolise various mineral markets" and that "through a complex series of relationships, these defendants have operated as a single entity".

Anglo's shares fell by R3.60 or nearly 2 per cent to R181.40 by the close in Johannesburg yesterday.

Earl Young, AMF vice-president, investor relations, said AMF would seek clarification from the Congo government about the Kolwezi project.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1484.5-85.5	1508-09
Previous	1472-3	1498-9
High/low		1513/1492
AM Official	1478.5-79.0	1503-03.5
Kerb close		1491-92
Open int.	263,051	
Total daily turnover	81,736	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1345-55	1365-70
Previous	1340-45	1360-63
High/low		1365/1360
AM Official	1340-45	1360-65
Kerb close		1355-60
Open int.	5,328	
Total daily turnover	1,100	

■ LEAD ($ per tonne)

Close	580-2	580-1
Previous	558-9	582-3
High/low		583/582
AM Official	570-71	573-73.5
Kerb close		580-81
Open int.	30,408	
Total daily turnover	9,742	

■ NICKEL ($ per tonne)

Close	5760-70	5855-65
Previous	5700-10	5800-05
High/low		5920/5800
AM Official	5730-35	5835-40
Kerb close		5800-10
Open int.	56,611	
Total daily turnover	20,329	

■ TIN ($ per tonne)

Close	5300-10	5310-20
Previous	5310-20	5310-20
High/low		5320/5290
AM Official	5300-05	5305-10
Kerb close		5300-305
Open int.	14,374	
Total daily turnover	3,299	

■ ZINC, special high grade ($ per tonne)

Close	1098-9	1120-1
Previous	1067-8	1091-2
High/low		1126/1088
AM Official	1077-78	1100-01
Kerb close		1119-20
Open int.	78,238	
Total daily turnover	20,614	

■ COPPER, grade A ($ per tonne)

Close	1670.5-1.5	1699-700
Previous	1656.5-7.5	1687-8
High/low		1706/1690
AM Official	1666-67	1696-97
Kerb close		1691-92
Open int.	150,137	
Total daily turnover	60,067	

■ LME AM Official £/$ rate: 1.6221
LME Closing £/$ rate: 1.6160

Spot: 1.6125 3 mths: 1.6056 6 mths: 1.5980 9 mths: 1.5910

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	74.80	-0.40	75.65	74.50	309	884
Feb	75.35	-0.35	76.00	75.25	65	2,499
Mar	75.85	-0.35	77.00	75.50	4,823	35,896
Apr	76.40	-0.35	76.65	76.60	41	1,603
May	76.85	-0.35	77.90	76.80	243	5,429
Jun	77.35	-0.35	77.70	77.70	15	1,667
Total					6,649	69,088

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	279.60-280.10		
Opening	283.80-284.20		
Morning fix	282.90	174.307	418.409
Afternoon fix	281.65	174.494	414.730
Day's High	284.10-284.50		
Day's Low	278.00-278.50		
Previous close	283.10-283.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.04 6 months 4.01
2 months ....4.03 12 months 4.01
3 months 4.02

Silver Fix	p/troy oz.	US cts equiv.
Spot	374.50	606.35
3 months	374.80	604.80
6 months	375.45	602.50
1 year	375.05	597.15

Gold Coins	$ price	£ equiv.
Krugerrand	281.5-284.5	174-176
Maple Leaf	-	-
New Sovereign	66-69	40-43

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	281.1	-2.9	293.3	293.3	10,339	2
Feb	281.8	-2.9	284.9	279.0	31,431	94,809
Apr	283.4	-3.0	286.4	280.7	1,339	15,457
Jun	285.3	-3.1	288.1	282.5	577	12,288
Aug	287.3	-3.1	288.0	287.5	725	5,503
Oct	289.2	-3.2	291.4	291.0	62	3,085
Total					38,816	166,589

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	362.1	-1.4	365.0	360.0	27	291
Apr	359.6	-1.4	365.0	358.0	1,228	10,486
Jul	357.1	-1.8	364.0	356.0	24	330
Oct	356.1	-2.9	-	-	-	15
Total					1,279	11,131

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	209.40	+4.10	211.00	206.50	510	3,081
Jun	206.15	+4.10	200.00	200.00	160	657
Sep	203.15	+4.10	-	-	-	4
Total					670	3,842

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Jan	572.8	-24.5	566.0	566.0	33	37
Mar	577.3	-24.6	608.0	564.0	12,365	60,046
May	577.8	-24.2	603.5	567.0	284	7,421
Jul	577.3	-24.5	590.0	568.0	309	7,884
Sep	576.8	-24.3	615.0	606.0	49	1,575
Dec	578.3	-23.5	596.0	569.0	364	8,483
Total					13,399	96,085

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	17.05	+0.23	17.13	16.82	52,467	104k
Mar	17.18	+0.17	17.30	17.00	30,709	81,646
Apr	17.37	+0.16	17.44	17.20	6,780	30,495
May	17.57	+0.16	17.63	17.50	5,108	25,916
Jun	17.75	+0.15	17.80	17.67	4,960	35,824
Jul	17.88	+0.13	17.97	17.85	1,814	21,308
Total					120,659	419,513

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	15.83	+0.22	15.94	15.76	21,894	83,145
Mar	15.92	+0.24	16.04	15.85	18,532	60,432
Apr	16.10	+0.26	16.18	16.02	3,951	21,837
May	16.26	+0.25	16.35	16.19	542	14,422
Jun	16.43	+0.26	16.47	15.33	2,125	20,054
Jul	16.57	+0.24	16.60	16.49	1,782	9,088
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	47.75	+0.42	48.05	47.50	16,210	61,478
Mar	48.15	+0.34	48.45	47.90	9,736	28,008
Apr	48.50	+0.39	48.75	48.35	3,459	13,911
May	48.70	+0.39	48.80	48.50	2,099	9,396
Jun	48.90	+0.44	48.95	48.45	2,388	13,680
Jul	49.40	+0.49	49.50	48.95	1,539	6,825
Total					38,000	156,132

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	144.00	+1.25	144.75	143.50	8,773	15,976
Feb	145.50	+1.00	146.50	145.25	9,240	25,298
Mar	147.00	+1.00	147.75	146.75	2,268	12,417
Apr	148.50	+1.00	149.25	148.25	1,351	7,483
May	150.00	+0.75	150.50	149.75	398	3,019
Jun	151.50	+0.75	151.75	151.00	580	13,231
Total					23,800	97,281

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Feb	14.200	-0.550	14.850	14.200	145	3,470
Mar	10.850	-	10.750	10.810	300	2,025
Total					1,270	10,745

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	2.110	-0.035	2.150	2.090	18,574	39,935
Mar	2.105	-0.029	2.140	2.085	5,590	26,574
Apr	2.080	-0.022	2.100	2.070	2,522	14,117
May	2.085	-0.017	2.100	2.075	1,397	10,450
Jun	2.100	-0.009	2.105	2.085	673	9,871
Jul	2.113	-0.003	2.115	2.100	468	10,214
Total					30,742	191,164

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	52.70	+0.76	52.95	51.90	11,995	37,934
Mar	53.20	+0.63	53.40	52.50	5,985	16,673
Apr	55.65	+0.48	55.80	55.50	3,825	13,980
May	55.70	+0.43	55.90	55.65	2,078	11,475
Jun	55.50	+0.51	55.55	55.30	799	8,206
Jul	55.05	+0.56	55.10	54.90	189	6,913
Total					25,952	105,048

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	80.00	-0.15	79.60	79.80	19	87
Mar	82.35	-0.15	82.55	81.50	94	3,081
May	84.35	-0.15	84.35	83.75	128	3,740
Jul	86.35	-0.15	86.25	86.25	128	482
Sep	81.00	+0.50	-	-	-	38
Total					292	8,810

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	320.50	-8.50	329.50	320.00	10,204	11,813
May	328.25	-8.00	336.00	328.00	2,244	13,679
Jul	335.50	-7.25	340.50	335.00	1,959	20,807
Sep	341.00	-7.00	345.00	341.00	140	1,187
Dec	352.00	-6.25	355.50	352.00	337	2,997
Jul	357.00	-3.00	368.00	357.00	30	48
Total					14,894	96,761

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	258.50	-5.00	263.50	258.25	34,450	164,671
May	265.00	-5.00	270.00	264.75	4,236	53,800
Jul	269.50	-5.00	274.50	269.25	5,855	61,217
Sep	269.25	-4.50	274.00	269.25	502	8,200
Dec	273.00	-3.75	276.75	272.50	4,257	35,097
Mar	279.00	-3.75	281.50	278.50	129	320
Total					49,491	325,479

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Jan	74.50	-	74.25	74.25	15	49
Mar	77.25	-	77.25	77.00	28	1,435
May	78.25	-	-	-	-	20
Sep	77.75	-	-	-	-	8
Total					43	1,882

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	659.75	-10.00	669.00	659.25	3,896	6,527
Mar	663.00	-14.00	677.00	662.00	28,063	58,935
May	667.00	-14.75	683.25	666.00	3,938	26,116
Jul	670.25	-15.50	684.50	670.00	3,225	26,418
Aug	658.50	-14.50	684.00	668.00	698	4,439
Sep	658.50	-13.50	665.00	660.00	2	6,4.6
Total					40,826	134,008

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jan	24.52	+0.02	24.70	24.38	3,033	2,875
Mar	24.75	-	24.95	24.60	14,300	57,748
May	25.01	-0.07	25.25	24.90	3,129	19,052
Jul	25.12	-0.15	25.45	25.06	1,707	12,818
Aug	25.01	-0.17	25.35	25.00	307	3,919
Sep	24.90	-0.15	25.05	24.95	125	1,582
Total					22,816	100,146

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jan	194.3	-4.6	198.5	193.8	4,445	11,213
Mar	192.8	-5.1	198.5	192.3	8,130	44,290
May	193.9	-4.4	197.3	193.0	1,910	25,391
Jul	195.9	-4.9	199.7	195.3	1,701	16,965
Aug	196.5	-5.5	200.2	196.3	1,020	5,985
Sep	196.8	-5.7	200.7	196.5	253	3,807
Total					17,808	112,393

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Mar	82.5	+0.5	-	-	-	-
Apr	102.5	+4.5	103.0	98.0	122	1,034
May	112.5	+4.5	117.0	117.0	10	87
Jun	122.5	+4.5	-	-	-	-
Nov	56.0	-	-	-	-	3
Total					122	1,164

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Jan	1200	-	1200	1200	17	658
Feb	1205	-	1205	1205	-	188
Mar	1220	+5	1210	1208	134	146
Apr	1270	-	1270	1270	10	446
Jul	1150	-	1150	1150	-	123
Total					36	1,616

	Close	Prev
BFI	1223	1226

PULP AND PAPER

■ PULPEX OMLX (US$: 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	492.00	-16.00	505.00	487.00	98	360
Jun	511.00	-15.00	523.00	507.50	100	283
Total					208	646

FUTURES DATA
All futures data supplied by CMS.

Wool *from Mallett & Co*
Australian wool sold at lower prices at the opening sales after the Christmas recess. The eastern market indicator fell to 683 Australian cents a kg this week. The decline applied more among finer merinos. Traders noted that Japanese brokers were not so prominent and fear that troubles in the Pacific region are hitting the wool market. New Zealand contrasted with Australia, the first auctions there resulting in a good clearance with crossbred and lambswool appreciably dearer, more than offsetting currency depreciation. The NZ market indicator was 14 cents higher than before the recess at 454 NZ cents a kg.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1062	-2	1074	1061	2,232	61,250
May	1085	-2	1097	1095	583	25,232
Jul	1106	-2	1115	1107	171	12,210
Sep	1126	-2	1136	1126	484	22,815
Dec	1151	-2	1160	1153	984	24,824
Mar	1175	-2	1186	1177	380	17,300
Total					4,826	181,288

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1598	-	1615	1590	5,280	35,395
May	1630	-16	1648	1624	978	21,947
Jul	1656	-16	1670	1655	100	5,493
Sep	1684	-16	1700	1680	75	5,487
Dec	1713	-16	1727	1725	88	9,227
Mar	1736	-34	1750	1750	315	8,880
Total					6,813	89,631

■ COCOA (ICCO) (SDR's/tonne)

Jan 7	Price	Prev. day
Daily	1267.65	1253.74

■ COFFEE LIFFE (5 tonnes; $/tonne)

Jan	1810	+60	1818	1738	726	3,938
Mar	1760	+50	1770	1695	5,090	25,660
May	1737	+39	1747	1680	2,098	8,548
Jul	1730	+38	1740	1660	73	1,823
Sep	1727	+39	1732	1694	40	753
Nov	1727	+29	1652	1652	10	38
Total					8,027	40,760

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	167.85	-	168.00	162.20	5,052	16,771
May	163.75	+5.15	164.00	158.50	1,234	5,970
Jul	157.90	+4.40	158.00	153.00	247	2,778
Sep	148.25	-	152.50	148.25	18	1,342
Dec	147.50	+3.75	146.00	144.50	25	1,201
Mar	144.50	+3.75	143.00	141.50	12	300
Total					6,581	28,392

■ COFFEE (ICO) (US cents/pound)

Jan 7	Price	Prev. day
Comp. daily	126.33	125.61
15 day average	128.83	129.46

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Mar	303.1	+0.1	303.5	302.5	2,439	22,075
May	306.6	+0.1	307.0	305.7	772	8,361
Aug	308.4	-0.1	308.5	308.1	129	5,103
Oct	304.1	-0.1	304.5	303.7	188	4,677
Dec	305.2	-0.1	305.0	305.0	23	215
Total					3,548	40,769

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	11.66	-	11.89	11.77	22,012	92,984
May	11.64	+0.01	11.69	11.60	7,171	35,397
Jul	11.35	+0.07	11.37	11.30	3,842	29,186
Oct	11.33	+0.04	11.35	11.27	2,131	28,375
Mar	11.30	+0.10	11.33	11.21	635	7,099
May	11.26	+0.10	11.24	11.17	113	1,285
Total					37,176	196,019

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	66.90	-0.83	67.20	66.70	8,260	38,469
May	68.26	-0.87	68.50	68.10	2,032	14,876
Jul	69.36	-0.81	71.00	69.25	1,780	15,169
Oct	71.80	-0.50	71.60	71.40	95	1,484
Dec	72.76	-0.44	72.85	72.65	831	13,988
Mar	73.70	-	73.75	73.75	26	557
Total					13,105	85,183

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	77.75	-	78.25	77.75	377	613
Mar	81.70	+1.20	82.50	80.40	3,471	20,883
May	84.95	+1.30	85.25	83.60	479	6,720
Jul	88.10	+1.60	88.00	86.50	170	4,140
Sep	91.10	+1.60	89.90	89.90	366	1,821
Nov	93.95	+1.55	92.90	92.90	249	1,786
Total					4,846	37,539

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jan 8	Jan 7	month ago	year ago
1733.1	1733.4	1793.3	1885.2

■ CRB Futures (Base: 1967 = 100)

Jan 7	Jan 6	month ago	year ago
226.60	225.42	-	-

■ GSCI Spot (Base: 1970 = 100)

Jan 7	Jan 6	month ago	year ago
n/a	170.87	n/a	n/a

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-1,675	to	621,425
Aluminium alloy	-60	to	42,720
Copper	+450	to	341,400
Lead	+25	to	111,350
Nickel	-18	to	66,288
Zinc	-175	to	490,900
Tin	+40	to	13,055

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	64.225	-	64.750	64.150	8,026	43,230
Apr	66.650	-0.275	67.250	66.800	5,098	30,864
Jun	67.050	-0.050	67.380	66.925	2,085	18,616
Aug	68.075	-0.125	68.300	67.950	485	7,213
Oct	70.425	-0.100	70.700	70.300	169	2,570
Dec	71.700	+0.150	71.850	71.400	31	430
Total					15,894	102,925

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Feb	56.450	-1.200	57.150	56.200	4,036	22,597
Apr	55.200	-1.125	55.850	55.050	2,291	10,187
Jun	62.775	-0.575	63.000	62.400	661	7,098
Jul	62.300	-0.325	62.450	61.875	256	1,397
Aug	60.575	-0.325	60.750	60.300	128	813
Oct	57.675	-0.150	57.825	57.550	88	783
Total					7,825	43,508

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	50.325	+0.800	50.400	48.900	1,648	5,856
Mar	49.025	+0.350	49.900	48.500	333	1,668
May	50.175	+0.575	50.350	49.200	142	1,163
Jul	49.775	+0.025	49.800	48.000	74	726
Aug	46.525	+0.200	46.600	46.500	11	130
Total					2,208	9,676

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM

(99.7%) LME	Feb	May	Feb	May
1450	48	86	16	38
1500	22	60	40	61
1550	8	40	76	89

■ COPPER

(Grade A) LME	Feb	May	Feb	May
1650	55	102	28	50
1700	30	76	53	72
1750	14	55	87	100

■ COFFEE LIFFE

	Jan	Mar	Jan	Mar
1650	20	-	12	-
1700	3	-	48	-
1750	-	-	92	-

■ COCOA LIFFE

	Mar	May	Mar	May
1025	52	82	15	22
1050	37	66	25	33
1075	27	54	40	44

■ BRENT CRUDE

IPE	Feb	Mar	Feb	Mar
1600	-	48	-	50
1650	4	29	-	82
1700	-	16	120	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$13.27-3.37	-0.300
Brent Blend (dated)	$15.41-5.44	+0.155
Brent Blend (Feb)	$15.81-5.84	+0.005
W.T.I.	$16.98-7.00	+0.020

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$174-176	+2
Gas Oil	$146-148	+1
Heavy Fuel Oil	$75-77	
Naphtha	$158-159	+1.5
Jet fuel	$167-169	+1
Diesel	$152-153	-0.5

■ NATURAL GAS (Pence/therm)

Bacton (Feb)	14.45-14.55	-0.45

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

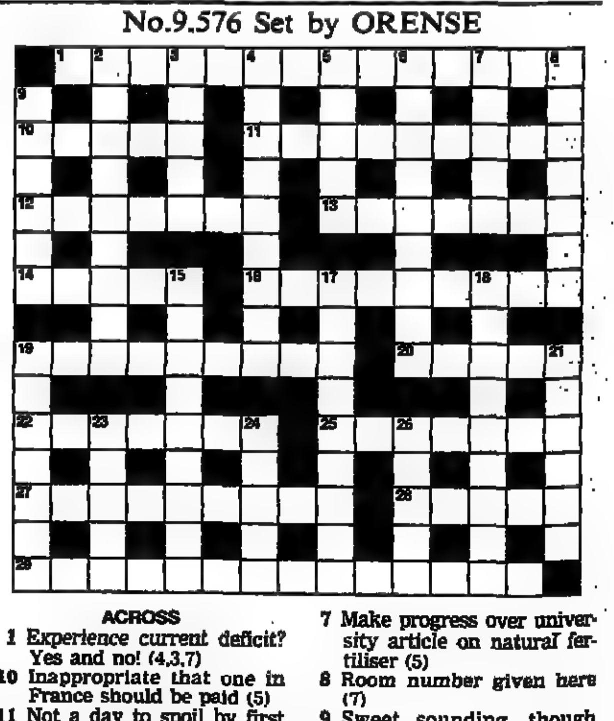
Gold (per troy oz)♣	$279.85	-3.50
Silver (per troy oz)♣	573.00c	-33.00
Platinum (per troy oz.)	$363.50	+5.50
Palladium (per troy oz.)	$206.50	+5.25
Copper	82.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.61r	
Tin (New York)	252.5	
Cattle (live weight)	92.02p	+0.65*
Sheep (live weight)	86.89p	+0.30*
Pigs (live weight)†	88.10p	-3.98*
Lon. day sugar (raw)	$286.60	-2.40
Lon. day sugar (wte)	$300.20	
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	54.50p	
Rubber (Jan)♥	54.50p	
Rubber (KL RSS No1)	281.0z	+3.5
Coconut Oil (Phil)§	605.0y	+25.0
Palm Oil (Malay.)§	580.0	+25.0
Copra (Phil)§	$390.0y	+10.0
Soyabeans (US)	183.5	
Cotton Outlook'A' index	73.10c	
Wooltops (64s Super)	380p	-9

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. w Jan. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,916 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,576 Set by ORENSE



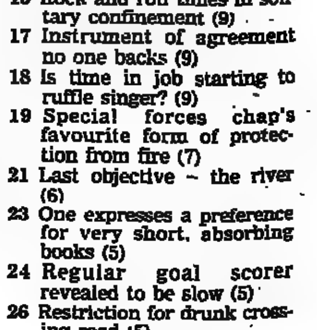
ACROSS

1 Experience current deficit? Yes and no! (4,3,7)
10 Inappropriate that one in France should be paid (5)
11 Not a day to spoil by first ever bad experience (9)
12 Frame companion with a lot of help (7)
13 Get rid of the audience (7)
14 Heartily ate – bread and fish (5)
16 Balance inside have developed a heavy, running cold (9)
19 A drip came off in the ambulance (9)
20 Recall one who was tempted to take half a look (5)
22 Change is coming between priest and a novice (9)
25 Improved United chasing Rovers' first place (7)
27 Room smells of grass and, oddly, rain following deluge (3-6)
28 Space goes backwards outside time machine (5)
29 NEW act back on the road (5-5,4)

DOWN

2 Try to finish – like always? (9)
3 City guides should be listened to (5)
4 Give way with head down (9)
5 Like a number one (5)
6 Every other bird in a tale of woe (9)
7 Make progress over university article on natural fertiliser (5)
8 Room number given here (7)
9 Sweet sounding, though boring crowd by all accounts (6)
15 Rock and roll times in solitary confinement (9)
17 Instrument of agreement no one backs (9)
18 Is time in job starting to ruffle singer? (9)
19 Special forces chap's favourite form of protection from fire (7)
21 Last objective – the river (6)
23 One expresses a preference for very short, absorbing books (5)
24 Regular goal scorer revealed to be slow (5)
26 Restriction for drunk crossing road (5)

Solution 9,575



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Gold hit by central banks' selling

By Kenneth Gooding, Mining Correspondent

More than 1,000 ... gold poured out of ... stocks last year ... mainly responsible ... fall in the gold price ... 18-year low, according ... the Gold Fields ... rices consultancy ... mobilisation of stocks ... double the 1996 ... the highest since ... was liberalised in ...

The gold came ... ducers hedging ... ng by speculators ... America and Europe ... sales by central banks.

Net central bank ... umped by 64 per cent ... the 1996 level to ... It was arguably ... of the two major ... bank) sales that ... closed by Australia ... Argentina, and the ... ying negative ... bout gold which ... nuch to sentiment ... price," said Stewart ... GFMS chief executive.

GFMS, an offshoot ... fields of South Africa ... mates that gold's use ... llery, electronics ... ther fabricated ... ncreased by 14 per cent ... ecord 3,750 tonnes ... bove the supply of ... ained gold, which ... 3 per cent to 2,... lso a record.

Mr Murray ... ctions of the central ... nd market ... bout their attitudes ... ould continue to ... ey rule in ... rices. "If [central] ... tocks stop being ... s a huge and ... verhang ... ...

WORD

LORENSE

Solution 9,5..

Offshore Funds and Insurances

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LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

BREWERIES, PUBS & REST

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

BUILDING MATS. & MERCHANTS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

CHEMICALS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

CONSTRUCTION

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

CONSTRUCTION - Cont.

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

DISTRIBUTORS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

DIVERSIFIED INDUSTRIALS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

ELECTRICITY

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

ELECTRONIC & ELECTRICAL EQPT

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

ENGINEERING

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

ENGINEERING - Cont.

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

ENGINEERING, VEHICLES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

EXTRACTIVE INDUSTRIES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

EXTRACTIVE INDUSTRIES - Cont.

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

FOOD PRODUCERS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

GAS DISTRIBUTION

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

HEALTH CARE

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

HEALTH CARE - Cont.

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

HOUSEHOLD GOODS & TEXT

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

INSURANCE

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]								

INVESTMENT TRUSTS

Approved by the Inland Revenue

	Notes	Price	+ or -	52 week high	52 week low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]								

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	52 week high	52 week low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]								

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

	Notes	Price	+ or -	52 week high	52 week low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]								

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AIM

AIM - Cont.

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange and has less demanding rules than the Official List.

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♦ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ǁ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
R Dividend is paid in whole or part as a FID (Foreign Income Dividend)
S Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1485 a year for each security shown, subject to the Editor's discretion

The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

US buyers behind good gains in London stocks

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Dealers in London's equity market were caught on the wrong foot yesterday by Wall Street's late rally on Wednesday.

The Dow Jones Industrial Average had been exceptionally weak for much of Wednesday's session. It fell in excess of three figures at its worst but rallied with such momentum that it finished only 4 points lower, after a sudden burst of buying by mutual funds.

That mutual fund buying was said to have encompassed many leading UK stocks listed in the US and led to a big mark-up in those stocks as London opened.

Already lifted by those influences, sentiment in London received two further doses of good news. The Confederation of British Industry's latest survey of distributive trades pointed to a pick-up in retail sales during December, while even more bullish for the market was news that the monetary policy committee had chosen to leave domestic interest rates on hold.

The FTSE 100 index responded to the good news with another sparkling performance, recovering all of Wednesday's losses and more before coming off during the late afternoon and finishing the day a net 13.0 up at 5,237.1, its sixth positive performance over the past seven trading sessions.

Wall Street opened weakly again yesterday, with the Dow Jones Industrial Average falling more than 100 points shortly after trading commenced in the US.

The demand for UK stocks was seen right across the board, with the FTSE 250 index adding a further 10.9 at 4,880.0. The FTSE 250 has now risen for 8 straight sessions, putting on 182 points or 3.9 per cent.

Similarly, the FTSE SmallCap posted its eighth consecutive gain, moving up 6.8 to 2,345.2, leaving that index up 55.21, or 2.4 per cent.

The US overnight influences offset further turmoil in far eastern markets, where alarm bells continued to ring, specifically concerning Hong Kong, which fell 3 per cent, Singapore, down 7 per cent, and Jakarta, whose stock market dropped a whopping 12 per cent.

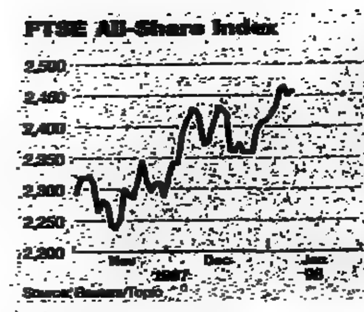
There were mixed views in London about potential short-term moves in markets. The head trader at one of the big European securities houses said he felt the constant stream of new money coming into the market would see London insulated somewhat against any global sell-off in stock markets. "Big falls in international markets leave London undervalued," he said.

Others took an opposite view, however, pointing out that UK stocks could not ignore downside pressures from global markets.

The turmoil in the Far East and big action in US markets provided a much needed spark to activity in London where turnover in equities topped the 1bn-mark for the first time in many weeks, eventually reaching 1.06bn shares by the 6pm cut-off point.

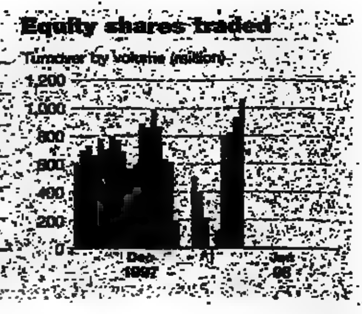
The two former components of British Gas, BG and Centrica, were among Footsie's strongest performers.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million).



Indices and ratios

FTSE 100	5237.1	+13.0	FT 30	3375.2	+15.3
FTSE 250	4880.0	+10.9	FTSE Non-Fins p/e	20.52	20.43
FTSE 350	2518.3	+6.2	FTSE 100 Fut Mar	5278.0	+17.0
FTSE All-Share	2457.54	+6.08	10 yr Gilt yield	6.12	6.17
FTSE All-Share yield	3.16	3.16	Long gilt/equity yld ratio	1.95	1.96

Best performing sectors

1. Gas Distribution .... +4.3
2. Pharmaceuticals .... +1.7
3. Utilities .... +1.7
4. Electricity .... +1.3
5. Engineering: Vehicles .... +1.1

Worst performing sectors

1. Extractive Inds .... −2.1
2. Oil Exploration .... −1.4
3. Household Goods .... −1.2
4. Diversified Inds .... −0.9
5. Transport .... −0.8

BG jumps on US switch

Institutional holders of the old British Gas would have been delighted yesterday as both arms of the former utility traded around the top of the Footsie.

BG rose sharply after one broker executed a very big switch into the stock from Centrica, the other former British gas arm. Dealers said the size of the deal – one block of 17m Centrica shares was seen going through the system – suggested the trade had been carried out on behalf of a US fund. They said it was part of a massive shift of US money across all the UK's internationally traded stocks.

The company's immunity from Asia, the dollar and the oil price, and its heavy liquidity make it one of the market's most attractive defensive stocks. The shares jumped 13¾ to a new high of 305p on turnover of 18m.

Meanwhile, positive fundamental news in Centrica offset the potential for a slide prompted by the fund's big disposal. Turnover of 37m shares was accompanied by a rise of 2¾ to 93¾p in the gas distribution group. Investors bought the stock in reaction to relief over take-or-pay contracts. The termination of Centrica's contract with Chevron marked the end of a long and expensive battle to escape supply deals which obliged it to buy gas at above the going rate.

The switch was also said to involve the pharmaceuticals leaders, which also have strong defensive qualities and are cheap compared with their US counterparts.

Glaxo Wellcome improved 17 to £15.49, **SmithKline Beecham** 23 to 663½p and **Zeneca** 6 to £22.26.

Housebuilders and their suppliers were back in favour after a six-week period when the building materials and construction sectors underperformed the market.

The latest indication of a strong housing market came from **Abbey**, a small Dublin-based developer. Its strong results statement included a reference to the UK remaining "firm throughout the year" and followed a similar statement on Wednesday from **Alfred McAlpine**. Abbey gained 25 to 265p and McAlpine 5½ to 144½p.

Mark Hake at Merrill Lynch said: "I think there is a feeling that these builders are not going to get much cheaper, and people believe UK interest rates may be peaking soon."

The positive sentiment spread to **Persimmon**, which gained 6 to 195p.

BA loses ground

British Airways lost much of the ground gained on Tuesday after traffic statistics, and shed 18 to 585p. Sentiment was also affected by negative comment from strategists at BZW that focused on results from BA, due out next month. However, Nikko Securities has told clients that the stock looks attractive at a 32 per cent discount to the market, on prospective adjusted earnings.

Nord Anglia Education, a small teaching company, rose 9½ to 234½p after it highlighted opportunities stemming from Labour's education initiatives.

Recent gloom in the retail sector continued to disperse yesterday as the latest CBI survey indicated that Christmas trading was better than many had anticipated.

The favourable survey combined with upbeat statements this week from companies such as **Burton** to boost the sector. Jewellery chain **Signet** added to the positive sentiment when it revealed that like-for-like sales rose by 8.3 per cent over Christmas. The news prompted a wave of profit upgrades for the current year from around £62m to about £65m.

The shares jumped 3½ or 11.76 per cent to 33¼p, making Signet the best performing FTSE 250 constituent.

Several food retailers also perked up. They included **Safeway** up 7½ at 353p, and **Tesco** which hardened 2½ to 515p. Dealers said several food and general retailers were active in the traded options market.

Among the biotechs, the launch of a new slimming yoghurt ensured that **Scotia Holdings** fattened 22½ to 355p.

The potential for further gains was countered by a note of caution from HSBC James Capel, which issued a big review of the biotech sector. It pointed out that the stocks had underperformed the FTSE All-Share by 40 per cent over the past year and were due for a recovery. But it preferred **Peptide Therapeutics**, **Cortecs International** and **Chiroscience** to Scotia. Peptide was steady at 290p, Cortecs marginally easier at 181½p and Chiroscience, which had seen big gains earlier in the week, off 5 at 245p.

Bus and train stocks continued to benefit from their insulation from concerns over Asian markets. **Stagecoach** was up 1½ to 864p while **Railtrack** rose 5 to 960p.

Securicor, the security group that owns a 40 per cent stake in mobile phone group Cellnet, rose 11½ to 325p after ABN Amro Hoare Govett raised their recommendation on the stock to "undervalued".

Boost for BT

British Telecommunications was lifted by a NatWest Securities change of stance. The broker upgraded the stock from "hold" to "buy".

NatWest highlighted a strong balance sheet at BT, and said that following the failure last year of its bid for MCI, the company might use the proceeds from its 20 per cent holding in the US group to repurchase its own shares.

NatWest was reported to have said such a move would bolster BT's defences against any would-be predator.

The shares jumped 11 to 500½p and turnover of 25m made it one of the most heavily traded stocks of the day.

Allied Textiles gained 41½ to 165½p after news that the company is in talks about a possible takeover involving its own management. Results, released yesterday, showed an increase in profits from £15.9m to £16.3m for the year ending September.

T.J. Hughes, the discount department store operator, gained 8½ to 130p after reporting a successful Christmas trading period.

Sunderland football club rose 10 to 385p after announcing that a director has purchased 10,000 ordinary shares at 355p each, representing 0.1 per cent of the ordinary share capital. This builds on gains made by the club's recent strong performance in the cup and league.

British Thornton, the packaging and warehousing company, fell 2½ to 21½p after management signalled that the company was considering a change of direction.

FT 30 INDEX

	Jan 8	Jan 7	Jan 6	Jan 5	Jan 2	Yr ago	*High	*Low
FT 30	3375.2	3359.9	3391.2	3373.9	3332.7	2794.4	3490.3	2668.8
Ord. div. yield	3.32	3.34	3.31	3.33	3.38	4.13	4.22	3.29
P/E ratio net	21.83	21.71	21.93	21.75	21.46	17.24	22.33	15.80
P/E ratio nil	21.53	21.42	21.63	21.46	21.16	17.07	22.02	15.71

FT 30 since compilation: high 3490.3 16/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3359.6	3397.8	3396.5	3398.4	3390.7	3397.9	3392.8	3387.2	3388.4	3403.0	3359.3

	Jan 8	Jan 7	Jan 6	Jan 5	Jan 2	Yr ago
SEAQ bargains	64,719	61,134	62,267	59,927	19,127	37,204
Equity turnover (£m)†	–	NA	1712.8	914.1	427.6	1024.5
Equity bargains†	–	NA	49,764	43,921	16,411	21,001
Shares traded (m)†	–	NA	523.7	323.2	147.8	453.2

†Excluding intra-market and overseas turnover but including Crest turnover.

*For 1997/98.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	938	Total Highs	210	Total contracts	N/A
Total Falls	624	Total Lows	88	Calls	N/A
Same	1,481			Puts	N/A

Jan 8 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5280.0	5278.0	+17.0	5340.0	5254.0	10569	60592
Jun		5338.0	+17.0			0	25

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4940.0	4968.0	+11.0	4940.0	4930.0	120	6382

■ FTSE 100 INDEX OPTION Jan 7(LIFFE) (*5221) £10 per full index point

	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P	5200 C	5200 P	5250 C	5250 P	5300 C	5300 P	5350 C	5350 P	5400 C	5400 P
Jan	207	20½	165½	37½	128½	50	95	67	66	90	43½	122	25½	161½	14	209
Feb	325	107	288	119½	254	133	221½	157½	190½	179	160	203	137	232	115	261½
Mar	362	155	330	173½	300	193½	270½	214	240½	234½	210½	257	189	285½	167½	315
Apr	410½	182½	378½	202	347	222	318	242½	285	263	255	285½	231½	313	210½	342
Jun†			476	258			407½	293			345	330½			286	384½

Calls 1,691 Puts 2,375

■ EURO STYLE FTSE 100 INDEX OPTION Jan 7(LIFFE) £10 per full index point

	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P	5275 C	5275 P	5325 C	5325 P	5375 C	5375 P	5425 C	5425 P
Jan	188	33½	149	43	111½	58½	79½	74½	54	99	33	128	18½	163½	10	204
Feb	297	112	262	135½	229½	143	199	182½	169½	182½	144½	207	121½	233½	100½	262
Mar	349½	157½	308½	174½	277	192½	252½	217	224½	238	194	257	167	279½	143½	305
Jun			455	265			390½	297½			328	331½			273	373½
Sept			591½	303			494½	341½			444	386			391	428

Calls 5,491 Puts 7,270 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months. Figs for Jan 8 unavailable for this edition.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997/98 High	1997/98 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
–	F.P.	–	98	93½	Abbey Nat Dublin II	[illegible]					
§250	F.P.	78.5	265	262	Autologic	[illegible]					
§140	F.P.	38.0	201½	148½	†BCO Tech	[illegible]					
§65	F.P.	11.2	90	82½	†Bond Intl Softw	[illegible]					
–	F.P.	13.0	21½	16½	Boustead	[illegible]					
§-	F.P.	2.36	73	59	Combined Comm	[illegible]					
280	F.P.	464.8	273½	251½	Energis	[illegible]					
–	F.P.	–	£105	£100	Fleng Grd Units	[illegible]					
§25	F.P.	1.42	35½	29½	†General Inds	[illegible]					
§105	F.P.	23.8	141½	123½	†Gooch & Housego	[illegible]					
135	F.P.	5.20	144½	139½	†Longmead	[illegible]					
§110	F.P.	124.1	124½	108½	Marchpole	[illegible]					
§	F.P.	8.14	57½	54½	†Market Link Publ	[illegible]					
–	F.P.	24.0	149½	115½	Nthn Recruitment	[illegible]					
§126	F.P.	12.8	144½	137½	†Optoplast	[illegible]					
56	F.P.	9.64	7½	7	†Property Asset	[illegible]					
–	F.P.	6.12	6¾	6	†Range Cooker Co	[illegible]					
–	F.P.	20.8	98½	92½	†Rapid Technology	[illegible]					
§102	F.P.	23.2	102½	102½	†Razorback Vhcls	[illegible]					
§105	F.P.	38.4	114½	110½	SCS Upholstery	[illegible]					
§	F.P.	170.4	108¾	96½	Second Scot Nat	[illegible]					
§	F.P.	101.1	101	99½	Do Zero Div Pf	[illegible]					
§230	F.P.	50.8	238½	230	Sytner	[illegible]					
–	F.P.	–	80½	40½	Vanguard Md Wts	[illegible]					
–	F.P.	3.50	113½	109½	Wyndham Mir	[illegible]					

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Jan 7	% chg on day	Jan 6	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (30)	996.49	+0.4	992.97	1702.20	1.76	–	1957.49	993.48
■ Regional Indices								
Africa (15)	995.43	−1.9	1614.90	1694.62	6.95	17.84	2321.55	921.75
Australasia (7)	1088.82	−0.7	1097.26	2012.71	3.03	14.84	2134.23	933.83
North America (12)	960.65	+1.3	957.04	1681.11	1.31	38.47	1760.25	884.94

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jan 8	Day's chge%	Jan 7	Jan 6	Year ago	Gross yield%	Net yield%	Cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5237.1	[illegible]									
FTSE 250	4880.0	[illegible]									
FTSE 250 ex IT	[illegible]										
FTSE 350	2518.3	[illegible]									
FTSE 350 ex IT	[illegible]										
FTSE 350 Higher Yield	[illegible]										
FTSE 350 Lower Yield	[illegible]										
FTSE SmallCap	[illegible]										
FTSE SmallCap ex IT	[illegible]										
FTSE All-Share	2457.54	[illegible]									
FTSE All-Share ex IT	[illegible]										

■ FTSE Actuaries Industry Sectors

	Jan 8	Day's chge%	Jan 7	Jan 6	Year ago	Gross yield%	Net yield%	Cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES	[illegible]										
12 Extractive Industries	[illegible]										
15 Oil, Integrated	[illegible]										
16 Oil Exploration & Prod	[illegible]										
20 GEN INDUSTRIALS	[illegible]										
21 Construction	[illegible]										
22 Building Matls & Merchs	[illegible]										
23 Chemicals	[illegible]										
24 Diversified Industrials	[illegible]										
25 Electronic & Elect Equip	[illegible]										
26 Engineering	[illegible]										
27 Engineering, Vehicles	[illegible]										
28 Paper, Pckg & Printing	[illegible]										
30 CONSUMER GOODS	[illegible]										
32 Alcoholic Beverages	[illegible]										
33 Food Producers	[illegible]										
34 Household Goods & Textiles	[illegible]										
36 Health Care	[illegible]										
37 Pharmaceuticals	[illegible]										
38 Tobacco	[illegible]										
40 SERVICES	[illegible]										
41 Distributors	[illegible]										
42 Leisure & Hotels	[illegible]										
43 Media	[illegible]										
44 Retailers, Food	[illegible]										
45 Retailers, General	[illegible]										
46 Telecommunications	[illegible]										
47 Breweries, Pubs & Rest.	[illegible]										
48 Support Services	[illegible]										
49 Transport	[illegible]										
60 UTILITIES	[illegible]										
62 Electricity	[illegible]										
64 Gas Distribution	[illegible]										
68 Water	[illegible]										
69 NON-FINANCIALS	[illegible]										
70 FINANCIALS	[illegible]										
71 Banks, Retail	[illegible]										
73 Insurance	[illegible]										
74 Life Assurance	[illegible]										
77 Other Financial	[illegible]										
79 Property	[illegible]										
80 INVESTMENT TRUSTS	[illegible]										
89 FTSE All-Share	[illegible]										
99 FTSE All-Share ex IT	[illegible]										
Information Technology	[illegible]										
FTSE Fledgling	[illegible]										
FTSE Fledgling ex IT	[illegible]										
FTSE AIM	[illegible]										

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	–	5267.5	5268.1	5261.5	5270.3	5268.1	5250.4	5257.7	5231.8	5298.4	5220.0
FTSE 250	–	4870.9	4873.2	4874.8	4878.4	4880.5	4880.1	4880.2	4882.5	4867.8	[illegible]
FTSE 350	–	2528.2	2537.9	2535.1	2531.1	2529.6	2523.3	2528.4	2516.2	2540.8	2511.6
FTSE SmallCap	2339.10	2339.53	2341.56	2343.86	2344.73	2345.06	2345.01	2344.85	2345.25	2339.10	[illegible]
FTSE All-Share	–	2467.17	2474.35	2472.82	2469.20	2467.92	2462.29	2464.96	2455.65	2477.79	2451.48

Time of FTSE 100 Day's high and low, and FTSE All-Share Day's high and low: [illegible]

Further information is available on http://www.ftse.com. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Annual review changes please see FTSE Intl website ftse.com. Sector change: Electronic Boutique was (41) now (45).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JANUARY 7 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JANUARY 6 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (74)	198.87	-0.3	181.47	166.02	188.76	206.74	-1.4	3.67	199.62	181.15	168.50	189.06	209.77	243.87	190.41	217.97
Austria (23)	191.67	-0.6	174.90	160.01	181.92	181.78	-0.4	1.83	192.73	174.99	162.76	182.62	182.49	213.59	175.14	187.07
Belgium (26)	260.54	-0.3	237.75	217.50	247.29	241.99	-0.1	2.85	261.37	237.31	220.73	247.66	242.36	263.33	225.25	225.25
Brazil (30)	228.41	-8.2	208.43	190.68	216.80	469.63	-3.1	1.78	236.02	214.29	199.32	223.64	484.87	322.44	184.94	196.65
Canada (122)	210.00	-1.1	191.63	175.31	199.32	217.94	-1.0	1.82	212.37	192.82	179.35	201.23	220.08	233.66	178.27	192.66
Denmark (32)	458.34	-0.9	418.25	382.64	435.04	433.43	-0.7	1.18	462.35	419.78	390.45	438.09	436.45	464.94	348.27	354.60
Finland (28)	289.99	0.8	264.62	242.09	275.25	338.41	0.9	1.87	287.82	261.32	243.06	272.72	333.42	349.43	243.25	245.35
France (83)	236.12	-1.2	215.46	197.12	224.11	226.29	-1.1	2.36	238.97	216.97	201.81	226.43	228.71	246.23	209.81	210.83
Germany (58)	233.35	0.7	212.94	194.81	221.48	221.48	0.9	1.33	231.65	210.32	195.63	219.50	219.50	243.87	184.23	187.54
Hong Kong, China (66)	317.03	-5.8	289.30	264.67	300.91	314.88	-6.0	5.07	336.70	305.70	284.34	319.04	335.01	580.03	314.76	506.19
Indonesia (27)	44.90	-6.2	40.97	37.49	42.62	218.99	-1.9	3.07	47.87	43.47	40.43	45.36	223.20	254.90	44.90	240.96
Ireland (16)	414.74	0.1	378.46	346.24	393.65	427.38	1.2	2.31	414.35	376.20	349.92	392.61	422.17	414.74	316.20	329.86
Italy (59)	124.06	0.7	113.23	103.59	117.77	166.12	0.8	1.47	123.23	111.89	104.07	116.77	164.79	124.06	82.66	82.66
Japan (481)	92.94	1.5	84.81	77.59	88.22	77.59	0.3	1.02	91.58	83.13	77.32	86.76	77.32	141.12	91.17	128.22
Malaysia (107)	129.37	-1.4	118.05	108.00	122.79	224.21	-0.2	3.25	131.19	119.11	110.79	124.31	224.66	660.95	129.37	609.93
Mexico (26)	1705.92	-2.1	1556.16	1423.66	1618.62	15024.25	-1.9	1.62	1741.16	1580.86	1470.41	1649.53	15310.46	1901.66	1289.73	1289.73
Netherlands (19)	407.79	-0.1	372.12	340.44	387.06	382.96	0.1	2.20	408.17	370.59	344.70	386.78	382.68	440.67	326.45	330.64
New Zealand (14)	75.88	0.6	69.24	63.34	72.02	70.61	-0.5	4.38	75.41	68.46	63.68	71.45	70.95	96.47	73.21	94.86
Norway (38)	311.58	-1.8	284.31	260.10	295.72	317.54	-1.3	1.91	317.30	288.09	267.96	300.66	321.69	374.64	292.29	301.01
Philippines (22)	65.65	-6.3	59.91	54.81	62.31	148.37	-5.1	1.42	70.07	63.62	59.18	66.40	156.27	214.07	65.65	206.12
Singapore (42)	194.64	-3.6	177.61	162.49	184.74	156.02	-4.6	2.05	201.89	183.30	170.50	191.30	163.56	448.01	194.64	425.51
South Africa (43)	254.48	-1.4	232.22	212.44	241.54	274.10	-1.6	3.08	257.99	234.24	217.87	244.48	278.70	370.12	251.92	316.19
Spain (33)	278.86	-0.6	254.47	232.80	264.68	326.74	-0.5	2.13	280.58	254.75	236.95	265.86	328.36	281.72	206.12	218.71
Sweden (46)	471.23	-1.3	430.01	393.40	447.27	581.86	-1.3	1.85	477.43	433.47	403.19	452.38	569.37	538.94	405.00	415.95
Switzerland (91)	342.82	0.1	312.83	286.19	325.39	314.13	0.1	1.07	342.54	311.01	289.28	324.58	313.66	343.44	231.89	236.32
Thailand (38)	17.06	-3.3	15.56	14.24	16.19	35.08	-1.8	8.22	17.63	16.01	14.89	16.71	35.72	103.98	17.06	99.27
United Kingdom (212)	333.08	-1.1	303.95	278.07	316.15	303.95	-0.6	3.24	336.92	305.90	284.53	319.25	305.90	337.99	271.72	278.55
USA (640)	393.28	-0.3	358.88	328.32	373.28	393.28	-0.3	1.59	394.59	358.26	333.23	373.89	394.59	401.22	299.79	306.75
Americas (818)	358.97	-0.4	325.75	298.01	338.82	301.32	-0.4	1.60	358.45	325.45	302.71	339.65	302.54	365.75	274.59	280.60
Europe (701)	291.44	-0.5	265.95	243.30	276.62	280.14	-0.2	2.29	292.96	265.99	247.40	277.58	280.84	296.25	236.09	236.49
Nordic (147)	416.33	-1.0	379.92	347.57	395.17	432.26	-0.9	1.74	420.43	381.73	355.06	398.38	436.13	464.93	355.77	360.82
Pacific Basin (872)	101.81	0.5	92.90	84.99	96.63	96.26	-0.5	1.71	101.34	92.01	85.59	96.03	96.73	158.99	101.34	147.98
Euro-Pacific (1573)	180.88	-0.2	165.06	151.01	171.69	159.23	-0.3	2.10	181.25	164.56	153.06	171.74	159.78	209.12	173.55	184.79
North America (762)	381.59	-0.4	348.21	318.56	362.19	381.47	-0.4	1.60	383.00	347.73	323.44	362.90	382.86	389.57	292.34	298.81
Europe Ex. UK (489)	262.38	-0.2	239.43	219.04	249.04	260.02	0.0	1.75	262.81	238.61	221.94	249.02	260.08	267.07	209.25	209.25
Pacific Ex. Japan (391)	183.40	-3.1	167.36	153.11	174.07	190.01	-3.5	4.14	189.27	171.84	159.84	179.34	196.98	320.65	183.40	315.69
World Ex. US (1794)	184.58	-0.3	168.44	154.10	175.20	185.61	-0.4	2.09	185.17	168.12	156.37	175.45	186.35	212.89	176.94	187.28
World Ex. UK (2222)	244.16	-0.2	222.80	203.83	231.74	224.06	-0.3	1.66	244.71	222.18	206.65	231.87	224.86	262.68	211.16	219.95
World Ex. Japan (1953)	331.02	-0.6	302.07	276.35	314.19	327.30	-0.5	1.94	332.87	302.22	281.11	315.41	328.87	344.35	271.90	275.18
The World Index (2434)	251.69	-0.3	229.67	210.12	238.89	231.26	-0.4	1.83	252.51	229.26	213.24	239.26	232.15	268.47	216.61	224.95

Emerging markets: IFC Investable Indices

Dollar terms

Jan 7 Market		Day's chg %	% Chg since 31/12/96
Latin America			
Argentina	1,051.93	-0.8	-5.7
Brazil	463.63	-3.8	-3.9
Chile	610.45	-2.8	-5.0
Colombia[1]	780.62	+1.0	-5.4
Mexico	747.58	-2.0	-5.2
Peru[2]	212.69	-2.1	-3.9
Venezuela[3]	676.40	+2.8	-4.2
East Asia			
China[4]	46.89	-9.4	-15.2
Korea[5]	25.43		+5.8
Philippines	93.28	-6.9	-17.5
Taiwan, China[6]	127.89	-5.4	-8.5
South Asia			
India[7]	83.42	-1.2	+6.1
Indonesia[8]	22.94	-8.3	-31.8
Malaysia	70.87	-2.0	-22.5
Pakistan[9]	234.99	-2.8	-5.4
Sri Lanka[9]	120.67	-0.3	+3.7
Thailand	42.54	-2.0	-8.5
Europe/Mideast/Africa			
Czech Rep	52.38	+0.8	-4.4
Egypt	92.31	-0.4	-1.9
Greece	328.52	-0.0	+1.4
Hungary[10]	322.41	+3.3	+2.4
Israel	119.30	-1.5	-2.0
Jordan	208.79	+0.3	-0.7
Morocco	128.80	+0.2	-1.1
Poland[11]	575.84	-4.7	-3.5
Portugal	218.22	-0.7	+3.4
Russia	146.74		+2.6
S Africa[12]	172.70	-1.0	-3.9
Slovakia	94.66	-4.6	-4.5
Turkey[13]	326.40	+0.9	+4.6
Zimbabwe[14]	272.54	-0.5	+8.3
Regions			
Composite	231.29	-2.5	-5.9
Latin America	638.69	-4.0	-6.4
Asia	93.79	-3.0	-12.9
EMEA	146.75	-0.4	-0.3

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

Prices supplied by Extel, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices.

■ FT Free Annual Reports Service

4 pm close January 8

NEW YORK STOCK EXCHANGE PRICES

[illegible]

- X - Y - Z -

1997/98 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Price	Chng Prev Close
[illegible]										
60	40½	Xtra Corp	0.80	1.3	21	381	[illegible]	[illegible]	[illegible]	[illegible]
27[illegible]	20¾	Yankee Egy	1.34	5.3	15	97	[illegible]	[illegible]	[illegible]	[illegible]
56	37⅞	York Int	0.48	1.2	14	741	[illegible]	[illegible]	[illegible]	[illegible]
8¼	4	Zapata	0.28	4.2	55	285	[illegible]	[illegible]	[illegible]	[illegible]
13[illegible]	5[illegible]	Zenith El				1364	[illegible]	[illegible]	[illegible]	[illegible]
28¾	24⅝	Zenith Nat	1.00	3.9	15	67	[illegible]	[illegible]	[illegible]	[illegible]
8[illegible]	7[illegible]	Zweig Inc	0.76	9.2		318	[illegible]	[illegible]	[illegible]	[illegible]
32[illegible]	17¾	Zero	0.12	0.4	18	398	[illegible]	[illegible]	[illegible]	[illegible]
14	10½	ZweigFd&p x	1.24	9.4		235	[illegible]	[illegible]	[illegible]	[illegible]
9⅝	8	Zweig Totl x	0.84	8.7		671	[illegible]	[illegible]	[illegible]	[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jan 7	Jan 6	Jan 5	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Industrials	7902.27	7906.25	7978.99	8259.31 (6/8/97)	6391.69 (11/4/97)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	105.33	105.25	105.38	106.38 (5/1/98)	101.09 (14/4/97)	106.38 (5/1/98)	54.99 (1/10/81)
Transport	3331.47	3278.00	3259.31	3369.27 (15/10/97)	2222.07 (2/1/97)	3369.27 (15/10/97)	13.23 (8/7/32)
Utilities	282.92	285.59	268.85	272.01 (30/12/97)	209.47 (25/4/97)	272.01 (30/12/97)	16.53 (8/7/32)

DJ Ind. Day's High 7948.87 (7999.17) Low 7751.56 (7832.82) (Theoretical) Day's High 7905.78 (7978.99) Low 7776.97 (7880.35) (Actual)

Standard and Poors	Jan 7	Jan 6	Jan 5	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Composite‡	964.00	966.58	977.07	983.79 (5/12/97)	737.01 (2/1/97)	983.79 (5/12/97)	4.40 (1/6/32)
Industrials‡	1118.58	1119.32	1120.55	1146.82 (7/10/97)	866.42 (11/4/97)	1146.82 (12/12/97)	3.52 (30/6/32)
Financial‡	118.15	117.62	118.45	120.83 (5/12/97)	80.75 (2/1/97)	120.83 (5/12/97)	7.13 (4/9/74)
Others							
NYSE Comp.	505.18	507.23	512.77	514.31 (5/12/97)	389.47 (11/4/97)	514.31 (5/12/97)	4.64 (25/4/42)
Amex Comp	674.29	675.03	680.13	721.90 (7/10/97)	541.20 (28/4/97)	721.90 (7/10/97)	524.20 (16/2/96)
NASDAQ Cmp	1581.70	1580.14	1584.12	1745.85 (9/10/97)	1201.00 (2/4/97)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	428.79	433.10	437.08	465.21 (13/10/97)	335.85 (25/4/97)	465.21 (13/10/97)	123.38 (7/12/83)

RATIOS

	Jan 2	Dec 26	Dec 19	Year ago
Dow Jones Ind. Div. Yield	1.72	1.78	1.76	2.03
	Jan 7	Dec 31	Dec 24	Year ago
S & P Ind. Div. yield	1.49	1.49	1.55	1.85
S & P Ind. P/E ratio	25.98	26.04	25.05	23.00

US DATA

MARKET ACTIVITY

Volume (million)	Jan 7	Jan 6	Jan 5
NYSE	660.928	622.729	632.441
Amex	28.863	28.418	24.749
NASDAQ	696.626	641.528	690.141

NYSE	Jan 7	Jan 6	Jan 5
Issues Traded	3,430	3,457	3,477
Rises	1,208	1,011	1,680
Falls	1,770	1,978	1,412
Unchanged	452	470	405
New Highs	94	136	243
New Lows	62	48	21

NYSE TRADING ACTIVITY — Volume : 660,928,000

ACTIVE STOCKS Wednesday	Stocks traded	Close price	Day's change
Compaq	7,888,400	55¾	−1⅛
Ph Morris	5,658,000	48⅞	+1
Cendant	5,414,300	34⅛	+¾
Citicorp	5,327,000	121⅞	−1⅛
R Dutch Pet	5,187,900	53¾	+1⅛
Exxon	5,007,900	60⅝	+1⅜
Seagate	4,716,000	78⅛	+1⅞
AT&T	4,385,000	60⅛	−⅛
Tel Brasil	4,160,200	111⅛	−1⅛
Hughes	4,077,200	39⅜	+¼

BIGGEST MOVERS Wednesday	Close price	Day's change	Day's chge %
Ups			
Best Buy	41¾	+3⅞	+10.2
Blk&Decker	41⅞	+3⅛	+9.3
EH	48	+4	+9.1
Nat Oilwell	32⅜	+2⅜	+8.9
Downs			
Paragon Trd	4⅜	−5⅜	−54.6
HCC Ins	16⅞	−3⅛	−17.2
Glds St Bac	34	−2⅜	−7.8
Anheuser	57⅜	−4⅛	−6.8

NASDAQ TRADING ACTIVITY — Volume :696,626,000

ACTIVE STOCKS Wednesday	Stocks traded	Close price	Day's change
Oracle	18,458,300	21⅛	−1⅛
Rainfor. Calc	14,729,200	18⅛	−12⅛
Intel	13,840,200	72⅞	−¾
Ascend Cm	13,679,700	27⅛	+1⅛
Cisco Sys	12,381,300	55⅞	−1⅜
Atmel	11,938,800	17⅞	−2
Dell Comp	11,158,700	88⅞	−2⅛
Apple Comp	9,287,300	17⅛	−⅞
Applied Mat	8,598,600	28⅞	−1⅛
Microsoft	7,871,400	129⅛	−1⅛

BIGGEST MOVERS Wednesday	Close price	Day's change	Day's chge %
Ups			
Info Analysis	18	+3⅛	+20.5
Layne Chr	15⅞	+2⅞	+18.2
Struct Dyn	25⅞	+3⅛	+15.3
Corp Fmly	22⅛	+2⅛	+12.7
Downs			
Teledata Cm	11⅜	−8⅞	−40.5
Rainfor. Calc	18⅛	−12⅛	−39.6
Kansas Trans	30	−6	−16.7
Cerner	21⅛	−3⅞	−12.7

Dow Jones

Chart: Dow Jones, 7,600–8,100; 31 1 2 5 6 7 8; Dec 1997 Jan 98

FTSE Eurotop 300

Chart: FTSE Eurotop 300, 960–1,030; 31 1 2 5 6 7 8; Dec 1997 Jan 98

JAPAN

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

UK

[illegible]

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	969.00	966.00	−8.00	970.50	965.40	120,435	371,358
Jun	979.00	976.50	−7.50	980.50	976.00	634	8,699

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	15000.0	15000.0	+20.0	15640.0	14990.0	27,087	188,484
Jun	15160.0	15130.0	+230.0	15550.0	15130.0	14	31,449

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	3042.0	2958.0	−58.0	3046.0	2955.0	17,721	42,885
Feb	3050.0	2966.0	−58.0	3050.0	2963.0	685	1,833

DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	4390.0	4317.0	−51.0	4429.5	4302.5	24,629	63,989
Jun	4446.0	4346.0	−54.0	4446.0	4340.0	340	7,899

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	2473.00	2438.50	−16.50	2486.00	2429.00	5,128	24,425
Feb	2494.00	2449.00	−34.50	2494.00	2441.00	243	865

SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	6454.8	6334.0	−45.0	6456.8	6326.0	5,615	18,916
Mar	6465.2	6352.8	+106.8	6465.2	6465.2	1	202

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Jan 8	Jan 7	Jan 6	1997/98 High	1997/98 Low	Yield	P/E
Argentina	General	21795.98	21611.31	21998.60	36771.39 22/10/97	18237.40 2/1/97	3.39	18.3
Australia	All Ordinaries	2650.7	2646.9	2663.3	2779.29 25/9/97	2298.39 28/10/97	3.45	19.3
	All Mining	590.1	584.1	604.5	987.10 24/2/97	841.10 27/11/97		
Hungary	Bux	8218.14	8347.94	(c)	8483.80 6/9/97	4291.38 6/1/97	na	na
India	BSE Sens.	3598.16	3603.31	3719.62	4648.02 5/8/97	3225.24 2/1/97		
	Crisil 500	654.90	660.74	685.44	843.28 5/8/97	615.29 12/12/97	na	na
Poland	WIG	14295.3	14205.5	14619.3	18338.40 18/2/97	13819.80 22/12/97	1.76	10.8
Portugal	BVL 30	3978.58	3980.45	3992.42	3992.42 6/1/98	2165.57 2/1/97	1.48	28.8
	PSI 20	9274.33	9258.25	9294.05	9294.05 6/1/98	5192.34 2/1/97		

Shares gained early gains to finish marginally higher in quiet trade. Golds were the only bright spot on firmer bullion

Shares fell after Moody's warned of possible debt downgrade for corporate sector.

Shares rallied modestly after recent profit-taking.

[illegible]

NASDAQ NATIONAL MARKET

4 pm close January 8

[illegible]

NASDAQ NATIONAL MARKET

[illegible]

AMEX PRICES

4 pm close January 8

[illegible]

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members

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Asian confidence stays rock bottom

WORLD OVERVIEW

The latest lurch downwards in the Asian markets set the tone for the rest of the globe yesterday, *writes Philip Coggan*.

Indonesia provided the focus for investors, with political concerns about the future of President Suharto adding to market displeasure with the draft 1998-99 budget, published earlier in the week.

The rupiah plummeted to 10,000 to the dollar (compared with the Rp4,000/$ level assumed in the budget) while the Jakarta stock market fell nearly 12 per cent.

Meanwhile, Hong Kong suffered again as short-term interest rates moved higher in response to fears that the currency peg would once more come under attack. Chinese red-chip and H shares also sold off sharply.

Confidence is so low across the region that, for now, the bottom seems to be nowhere in sight. Overseas institutional money seems unlikely to be committed to the region while the markets are in free fall. European markets momentarily seemed to shake off the Asian problems in early trading but there was no escape in the afternoon as Wall Street opened sharply lower, in part because of the bad news from the Far East.

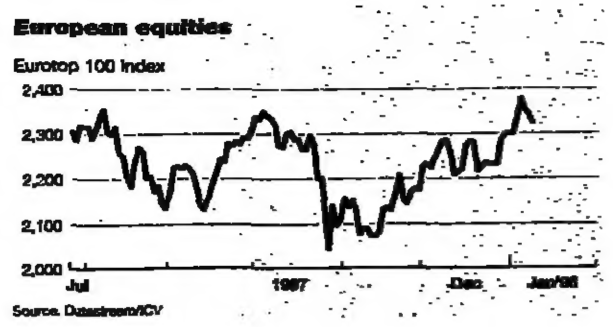
The US market was also hit by yet another profits warning, this time from Seagate Technology, the world's biggest disk drive maker. Another strong performance from Treasury bonds failed to bolster equities.

Even though the Bundesbank left rates unchanged, as expected, an early gain in the Frankfurt market turned into a 1 per cent loss while the FTSE Eurotop 100 index dropped 0.84 per cent.

Goldman Sachs sees some light at the end of the tunnel. In its latest note, the economics/strategy team says: "The mood on Asia has continued to darken over the holiday period, leading to a firmer dollar and rising bond markets.

"However, the chances of policy action to address the situation are clearly rising, notably in Japan.

"Hugely undervalued Asian currencies may stabilise before too long as policy measures are taken and current account positions improve drastically."



Dow slides as Asia fears hit financials

AMERICAS

Financial stocks continued to feel the strain of developments in Asia, but technology shares fared better on Wall Street, *writes John Labate in New York*.

After losing more than 100 points early in the session, the Dow Jones Industrial Average was down 74.24 to 7,828.03 by early afternoon. The broader Standard & Poor's 500 index also pulled back, losing 5.11 at 958.89.

In the Dow, Boeing lost $1\frac{13}{16}$ at $46\frac{3}{4}$ while J.P. Morgan fell again, down $3\frac{1}{4}$ at $108\frac{1}{4}$.

In the telecoms sector, a report that long-distance leader AT & T planned an $11bn acquisition of Teleport Communications sent AT & T's shares up $1\frac{1}{4}$ to $61\frac{11}{16}$. But shares of Teleport tumbled $3\frac{3}{4}$ or more than 6 per cent to $54.

In other merger news, Wednesday's announcement that PhyCorp and MedPartners had cancelled their planned $6.8bn merger sent both shares lower. MedPartners, which also announced a 1998 profits warning and charges for the fourth quarter of 1997, plunged more than 46 per cent or $8\frac{1}{2}$ to $9\frac{7}{8}$. PhyCorp shares were down $\frac{3}{16}$ to $25\frac{15}{16}$.

Technology shares were mixed, sending the Nasdaq composite index up 0.79 at 1,562.49. Semiconductor shares moved higher as Intel rose $1\frac{5}{16}$ to $73\frac{13}{16}$. Networking leader Cisco System's climbed $\frac{3}{4}$ higher at $56\frac{7}{8}$.

In the banking sector, large banks continued to move lower as Chase Manhattan lost $3\frac{1}{4}$ to $105\frac{1}{16}$ and Citicorp fell $2\frac{1}{16}$ to $119\frac{7}{16}$.

In the Treasury market, bonds climbed on the release of better-than-expected figures on producer prices. The PPI for December fell 0.2 per cent, and for the year the index was down 1.2 per cent. The 30-year Treasury bond, the benchmark for long-term interest rates, rose $\frac{13}{32}$ by early afternoon to $105\frac{16}{32}$, sending the yield lower at 5.739 per cent.

TORONTO was under pressure at midsession as golds shed almost 4 per cent on the sliding bullion price and falls of more than 1 per cent were recorded in the industrial, metals and merchandising sectors.

The TSE-300 composite index was 67.01 down at 6,523.60 by noon in volume of more than 29m shares.

Among gold shares, Barrick lost C$1.20 to C$23.50 and Placer Dome traded 85 cents lower at C$16.25.

Inco, the nickel miner, fell 90 cents to C$23.30.

Deutsche speculation undermines Frankfurt

EUROPE

Renewed speculation that Deutsche Bank planned a capital increase sent shares in Germany's largest commercial bank sharply lower, contributing to weakness in **FRANKFURT**.

Deutsche shares tumbled DM6.45 to DM115.55 although analysts tended to dismiss the rumours, which have been heard regularly in recent weeks.

The broader market fell prey to a weaker dollar and Wall Street's early slide, and the Xetra Dax index gave up 46.34 to close at 4,293.64.

Against the trend, Siemens picked up DM1.55 to DM111.20 in active trade in a move triggered by its upbeat 1997/98 sales and pre-tax profits forecast for its private communications unit.

SAP climbed DM6 to DM589 after the software group said 1997 sales rose by almost 60 per cent and that earnings per share would be up by more than 50 per cent.

PARIS tipped back below 3,000 on the CAC 40 index, giving up initial gains and ending off 51.79 at 2,954.94 in good volume of 22.6m shares. Banks stayed under severe pressure and Asian worries also dogged chipmaker SGS Thompson.

BNP and Société Générale both extended their losses to more than 13 per cent in two days, sliding FFr18.50 to FFr287.60 and FFr51 to FFr739 respectively.

According to figures published yesterday by Paribas – off FFr7 at FFr532 – Soc-Gen's lending to South Korea alone totals $3.2bn.

Usinor continued to slide following "reduce" advice from HSBC James Capel. The broker sees 1998 as the peak year in the steel cycle and has taken a savage knife to 1999 earnings estimates, cutting by 20 per cent.

The steel giant, which stood at FFr134.40 in October, fell FFr2.10 to FFr79.65. SGS fell FFr10.50 to FFr344.20.

AMSTERDAM ended 6.68 lower at 925.39 on the AEX index with Hoogovens leading the way down among blue chips.

Broker downgrades at French steel rival Usinor were said to have unsettled the sector and Hoogovens came off Fl 3.50 or 4.1 per cent to Fl 81.30. Heineken defied the downward trend as investors sought defensive stocks. The brewer added Fl 4.30 at Fl 369.

ZURICH ran into profit-taking, which pulled the SMI index back from a high of 6,466.5 to close 59.8 lower on the day at 6,330.2.

Among pharmaceuticals, Novartis climbed to a high of SFr2,452 before retreating to close SFr16 weaker at SFr2,390 as the company declined comment on market speculation that it was planning a share buy-back programme.

Swiss Re gave up SFr51 to SFr2,850 as Walter Kielholz, the chief executive, was quoted as saying he could not explain the recent surge in the share price after repeated denials of any major acquisition plans.

MILAN was hit by profit-taking, ending an eight-session record-breaking run.

Analysts said the market needed a pause for breath as recent rises had taken shares to very high levels. "There is a feeling that share prices are losing touch with fundamentals," said Marco Nascimbeni at Merrill Lynch.

The Mibtel index ended 208 lower at 17,631. Banking stocks, which have been among the market's best performers in recent days, slipped back as investors took profits.

Credito Italiano lost L248 to L5,980, IMI declined L1,028 to L23,600 and Banca Intesa, one of the sector's recent stars, lost L302 to L7,820.

Insurers were dull after Lehman Brothers said it saw "little value" in the sector. Generali lost L718 to L48,050. Textile and clothing stocks were in focus as Merrill Lynch tipped textile and clothing maker Stefanel, up L325 to L4,550, on grounds that investors were switching out of luxury goods and textile groups, such as Gucci, into mid-market brands less exposed to Asia.

HELSINKI was alive with rumours about food and chemicals group Raisio, which soared to an intra-day all-time high of FM780 before settling back to end FM30 better at FM730.

Initially, the rise was attributed to SBC Warburg Dillon Read's decision to put the stock on its top 30 European shares list.

However, rumours later circulated that US group Johnson & Johnson, which distributes Raisio's potentially world beating cholesterol-lowering margarine, was looking at bidding for the group. The general index ended 37.06 lower at 3,426.17.

Written and edited by Michael Morgan, Jeffrey Brown, Jonathan Ford and Peter Hall.

Jakarta hit by Suharto rumours

Rumours that President Suharto would not seek re-election when his term of office expires in March sent the Jakarta stock market into a tailspin yesterday.

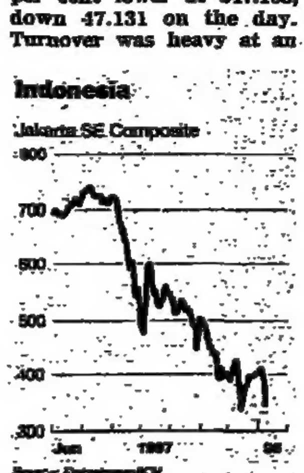
The rumours, which the ruling Golkar party did not deny, prompted heavy selling in financial markets. The rupiah lost 18 per cent, touching almost Rp10,000 to the dollar in local trading.

In the stock market, the composite index closed 12 per cent lower at 347.108, down 47.131 on the day. Turnover was heavy at an estimated Rp678bn. "There's real concern in the markets about the rising groundswell of public dissent in Indonesia," said David Bates of Paribas Asia Equity.

The market was wracked by rumours of riots and mass demonstrations in Jakarta and reports of panic buying in shops. However, these were denied by official news agencies.

President Suharto has come under increasing criticism this week over his handling of the country's financial crisis. Indonesia's 1998 budget, announced on Tuesday, was attacked for failing to introduce badly-needed reform measures and for containing wildly optimistic economic forecasts.

The market fell heavily at the opening, trading as low as 321.078, down 18.5 per cent, before rallying.



EMERGING MARKET FOCUS

Optimists look to Taiwan

A fresh round of currency depreciation across Asia since the beginning of this year has sent the Taiwan dollar plunging to 10-year lows and drained funds out of the stock market.

As the region's financial crisis deepens, Taiwan's position still looks relatively strong but fallout from the troubles of its neighbours is inevitable.

Investor confidence is waning fast as uncertainties over the viability of the Hong Kong dollar peg to the surging US dollar are compounded by expectations of a devaluation of China's yuan. Taiwan has been only lightly buffeted by turmoil in other markets, but financial upheaval in China would inflict far greater damage.

With the currency hitting new lows and the direction of both monetary policy and share prices unclear, investors are sitting on the sidelines.

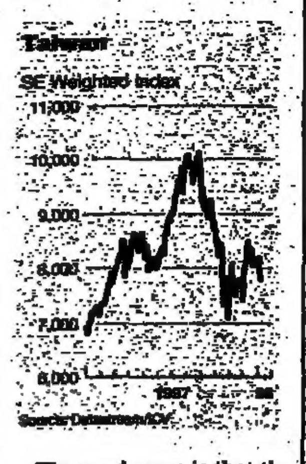
Financial shares, which account for about one-third of the stock market capitalisation, are doing poorly and even the bellwether electronics sector has lost direction.

"Nobody's predicting any great upside in the first half of this year," said Tim Parker, a broker at Fubon Securities.

Despite the chaos in neighbouring countries – some of whom expect negative growth – the outlook for Taiwan remains fairly optimistic.

Government agencies predict gross domestic product growth of between 6.7 and 6.4 per cent this year. Some foreign securities houses have pitched expectations at around 5 per cent.

Despite the Taiwan dollar's recent flirtation with T$35 to the US dollar, Stephen Wang from HSBC James Capel agrees with the central bank's view that the currency is now undervalued and expects the rate to return to T$33.



The good news is that the depreciation is not having the same harmful effects on Taiwan's corporate sector as it has on highly leveraged Korean companies, because Taiwanese companies have little foreign currency debt.

Justin Leverenz of BZW calls the export competitiveness worries "overblown". Taiwan's export sector may suffer some short-term impact from competitive devaluations. But Taiwan is not competing with south-east Asian countries or with China directly: it lost competitiveness in producing low-end consumer products years ago, and for the most part now makes products for niche markets.

Most Taiwanese exports to China and south-east Asia are sales of intermediate materials to Taiwanese-run factories in those countries, which then produce and export the end product to western markets. A drop in demand from the US would be needed before Taiwan's exports are seriously affected.

Mr Wang notes that out of Taiwan's forecast 6.5 per cent GDP growth, just half a percentage point is attributable to foreign trade, the remainder coming from private consumption, government spending and private investment.

Laura Tyson

São Paulo falls sharply

SAO PAULO lost nearly 3 per cent in the morning session, hit by weakness on Wall Street and growing concern about financial turmoil in Asia. The Bovespa index was 282 lower at 9,587.

All major blue chips were sharply lower. Power utility Eletrobras lost R$2 or 3.8 per cent to R$49.50, while Banespa, the commercial bank, declined R$3 or 4.4 per cent to R$66.

MEXICO CITY was also afflicted by Asian worries, falling 1.5 per cent in morning trade. The IPC index was 76.3 lower at 4,866.61, having fallen through the psychologically important 4,900 level for the first time since November 27.

Market heavyweight Telmex and retailer Cifra were the most heavily traded stocks. Telmex slipped 25 centavos to 20.65 pesos while Cifra declined 64 centavos to 19.06 pesos.

Warning weakens Sappi

A warning from Sappi that Asia's economic crisis would hit sales and earnings put the pulp and packaging group under pressure in Johannesburg. The shares sank 7 per cent at the start of the day but recovered much of the loss to close 25 cents weaker at R21.50.

A firmer gold price and rallying rand provided some support to the broader market. Golds picked up 13.2 to 744.0 but industrials eased 5.5 to 7,263.6.

The overall index lost 16.7 at 6,057.2.

FTSE Actuaries Share Indices — European series

January 8

National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj	Total rtn (Ecu)
FTSE Eurotop 300	1007.53	−1.06	−10.72	2.20	0.01	1015.49
FTSE Eurotop 100	2325.09	−0.84	−19.68	–	–	–
FTSE Eurotop 300 Regions						
300 UK	1012.33	−0.85	−8.71	3.10	0.00	1029.50
300 Ex-UK	1005.39	−1.17	−11.87	1.70	0.01	1008.11
300 Eurobloc	982.65	−1.30	−12.98	1.91	0.02	985.61
300 Ex-Eurobloc	1027.78	−0.88	−9.12	2.41	0.00	1038.70
FTSE Eurotop 300 Economic Groups						
Resources	910.75	−0.49	−4.50	3.00	0.00	923.43
General Industries	933.16	−1.23	−11.65	2.09	0.00	935.40
Consumer Goods	1013.81	−0.87	−8.86	1.79	0.00	1024.75
Services	997.61	−1.09	−11.01	2.24	0.00	1005.73
Utilities	1059.52	−0.39	−4.14	2.61	0.08	1073.44
Financials	1083.61	−1.45	−15.89	2.11	0.00	1089.79

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1998. All rights reserved.

Hang Seng pushed below 9,000

ASIA PACIFIC

The regional turmoil pushed **HONG KONG** lower with the Hang Seng index dropping below the 9,000 level at one stage before closing down 284.08 at 9,254.53, a four-day decline of 14 per cent.

Another steep rise for interbank rates cut a deep swathe through sentiment among financials. HSBC fell HK$5.00 to HK$174.00.

China stocks also fared badly. Both the red-chip and H shares indices fell more than 8 per cent.

Worries about a devaluation of the yuan and the shake-out in Hong Kong continued to batter **SHANGHAI** where the index of hard currency B shares gave up 5.3 per cent, sliding 2.64 to 46.76.

SINGAPORE suffered its heaviest one-day decline since late 1987, with banks and property shares falling steeply.

The Straits Times index ended 36.00 or 7.1 per cent lower at 1,270.70. At 255m shares, volume was described as robust.

The SE Finance index tumbled 9.1 per cent while the property index lost 10.5 per cent. OCBC fell S$1.20 to S$7.50. Among properties, BDS Land came off 23 cents to S$1.85.

TOKYO stocks closed little changed after an early rally in the market petered out on concerns about Japan's economy, *writes Gillian Tett in Tokyo*.

The Nikkei 225 average, ended down 8.99 at 15,019.18. During morning trading the index had risen more than 3 per cent to touch a daily high of 15,608.39. However, it later fell back sharply, hitting a low for the session of 15,018.68.

First section volume was 470m shares, up from 337m on Wednesday and the heaviest trading seen so far this week. The broader based Topix index also fell slightly to 1,163.20, down 0.05 per cent.

Market traders yesterday blamed concerns about the outlook for Japan's economy, and the broader currency turmoil in Asia, for the late fall in the index.

In particular, dealers are reluctant to take aggressive positions in the markets while it remains unclear whether the US and Japan are prepared to intervene jointly to support the yen.

Another uncertainty weighing on stocks is the forthcoming parliamentary discussion – due to start next week – about proposed government measures to boost the economy and the country's troubled financial sector.

The largest sectoral fall occurred in the iron and steel industry. The sector, which fell 4.67 per cent on the day, often suffers when concerns arise about the domestic economy.

Nippon Steel was the day's most heavily traded issue, closing Y15 down at Y161. Sumitomo Metals was the third most heavily traded stock, falling Y13 to Y139.

Fuji Bank was the fourth most heavily traded issue. It rose Y30 to Y560, after several weeks of sharp decline. However, Sakura Bank continued to suffer. It closed at Y354, Y5 lower, as the sixth most heavily traded stock.

MANILA moved down to a four-year low on the composite index which retreated 91.49 or 5.3 per cent to 1,655.85. The decline through 1,700 is seen as a "fairly critical".

Brokers have begun to pinpoint a floor of 1,200 to 1,300 should the 1,600 barrier be pierced. Metropolitan Bank tumbled 23 pesos or 9.5 per cent to 220 pesos.

BANGKOK slipped 2.7 per cent amid rumours that major banks were planning capital increases and further weakness for the baht. The SET index fell 10.14 to 360.17 in modest volume.

Banks shed 7.9 per cent after a wave of speculation about share increases in the sector. Bangkok Bank declined BT8.50 to Bt67.00 in the day's heaviest volume.

SEOUL was a rare regional gainer. The Kospi index added 14.54 or 3.6 per cent to 423.96 on foreign buying following heavy portfolio switching away from neighbouring centres. Net foreign buying over the past two days is estiomated at Won150bn. Korea Electric climbed Won700 to Won19,000 and LG Electronics 1,000 to Won14,600.

SYDNEY edged modestly higher in low volume as investors mostly stayed on the sidelines and watched the fireworks elsewhere in the Pacific rim. The All Ordinaries index ended 3.5 better at 2,650.4 after touching a session high of 2,657.3.